

The Global Newspaper
Edited and Published
in Paris
Printed Annually
in Paris, London,
Zurich, Hong Kong,
Singapore, The Hague,
Montreal, Miami.

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

No. 32,378

14/87

PARIS, TUESDAY, MARCH 31, 1987

JORDAN DISTRIBUTION

ESTABLISHED 1884

Trade Fears Jolt World Financial Markets

Dollar Slides To New Low Against Yen

By Ferdinand Protzman
International Herald Tribune

FRANKFURT — The U.S. dollar plunged to another postwar low against the Japanese yen on Monday as fears of a full-scale trade war between the United States and Japan unleashed a torrent of panic selling by Japanese investors.

The sell-off, which pushed the dollar below 145 yen in Asia before it recovered slightly, swept aside an intervention by the Bank of Japan estimated at \$2 billion.

The dollar also fell against other major currencies later in New York and Europe, though less spectacularly than in Tokyo.

In Tokyo, the dollar closed at 145.00 yen, down more than 4 yen from 149.20 on Friday. The record came when it touched 144.70 yen.

It rallied later in London to 146.30, but still ended below Friday's close of 147.70.

In New York it finished at 146.275 yen, down from 147.20 on Friday.

Also in New York, the dollar fell below important support points at 1.80 Deutsche marks and 6.0 French francs. It closed at 1.7995 DM, compared with 1.8165 DM on Friday; at 5.9972 French francs against 6.0435, and at 1.5000 Swiss francs, versus 1.5135. But the British pound slipped marginally to \$1.6070 from \$1.6085.

The sudden sell-off was triggered, dealers said, by the Reagan administration's announcement today that it planned to impose sanctions on up to \$300 million worth of Japanese electronics products, possibly including television sets, personal computers and stereo equipment.

The proposed sanctions would go into effect April 17. The United States says they are intended to force Japan to live up to an agreement reached last July to open its home market to American-made computer chips and to stop "dumping" chips below cost in foreign markets to gain market dominance.

Fear that the sanctions might be the opening shot in an all-out trade war caused Japanese speculators to See DOLLAR, Page 21



A currency trader in Tokyo on Monday, where the dollar fell below 145 yen to a new low before recovering slightly.

U.S. Threats on Trade May Alienate Japanese

By Susan Chira
New York Times Service

TOKYO — The Reagan administration's moves toward trade retaliation may spur a Japanese sense of frustration and resentment toward the United States that is already on the rise in some circles here.

The discussion over trade is generally more temperate in Tokyo than in Washington, and some Japanese criticize their country's bureaucratic procedures for slowing the flow of imports. But a growing number of government and business leaders believe that the United States is using Japan as a scapegoat for problems of its own making.

With the rising exchange rate of the yen against the dollar pushing corporate profits down and unemployment up in Japan, a small but increasing portion of the Japanese

public feels hurt by what it sees as an unappreciative and unjust United States. Sankei Shimbun, a daily newspaper, in a recent editorial characterized Washington's trade position as "self-righteous and impatient."

The Japanese appear unanimous in believing that the solutions being suggested in Washington will not erase the trade deficit. Many argue that Japanese import barriers, while regrettable, are not the main reason for Japan's huge surplus in merchandise trade with the United States.

The real causes, they say, are uncompetitive U.S. products and the eagerness of American consumers to buy rather than save, as the Japanese do.

Tokyo officials generally continue to show restraint as they defend their nation's policies. But there are signs that the Japanese are becoming increasingly resentful of what they consider unfair U.S. pressure at a time when they are already suffering from the yen's strength.

Last Friday, President Ronald Reagan announced that the United States would impose \$300 million in new tariffs on Japanese-made consumer goods because Japan had been selling low-cost semiconductors in the United States in violation of an agreement.

[Asked to comment Monday on statements by U.S. officials that it may be possible for Japan to avoid the sanctions ordered Friday, Mr. Reagan's spokesman, Marlin Fitzwater, said: "While we're hopeful of that happening, it probably is not likely." Reuters reported from Washington.]

"There was a subtle shift from cautious optimism to cautious pessimism," said Hugh Johnson, chief strategist for First Albany Corp., in characterizing the market's mood.

Despite the drop, analysts were quick to play down the notion that Monday's activity could trigger a

Stocks Fall In N.Y., Tokyo And London

By John Meehan
International Herald Tribune

NEW YORK — Concern about the dollar and the increasingly strained exchange between Washington and Tokyo over trade drove prices in U.S. stock and credit markets sharply lower in early trading Monday. Prices recovered somewhat by the close.

On the New York Stock Exchange, the Dow Jones average of 30 industrial stocks plunged 79 points in the first hour of trading, extending Friday's 36.79 point drop. In the first 40 minutes of trading, 52 million shares had changed hands.

At the close, the Dow average had climbed back to 2,278.41, down 57.39 points from Friday's close.

Major stock markets elsewhere were sharply down, as well. In London, the Financial Times-Stock Exchange index of 100 leading shares fell by its largest margin in points terms in a single session, dropping 46.1 to close at 2,002.5. In Tokyo, the Nikkei 225-share market index had its second-largest fall, diving 550.45 to end at 21,675.04.

Traders cited concern over U.S.-Japan trade as a key factor in the declines in London and Tokyo.

In U.S. credit markets, meanwhile, prices of U.S. government securities fell to their lowest levels of the year amid mounting concern about potential damage from the dollar's sharp slide against the yen, dealers said.

"All the selling is dollar-related. It's horrific," one trader told Reuters.

The key 7½ percent, 30-year Treasury bond fell to a 1987 U.S. low of 96 4/32 at the close, well below last Friday's closing price of 98 5/32.

On the NYSE, the market seemed to have second thoughts as the day wore on about the panicky sell-off that characterized the opening. Analysts blamed the steep drop on the lingering worry that the U.S. Federal Reserve would be forced to increase interest rates if central banks could not arrest the dollar's drop on foreign exchange markets.

Moreover, fear that the dispute between the United States and Japan could degenerate into a trade war had many observers speculating about possible retaliatory measures that Tokyo could initiate against American companies.

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Military patrols were searching for the wreckage, but it was not clear if the pilot had guided it back across the border into Afghanistan before it crashed, the spokesman said.

Pakistan aids and shelters Moslem guerrillas fighting the Afghan government, which is supported by an estimated 115,000 Soviet troops. An estimated three million Afghan



Van Gogh Painting Brings an All-Time Record

An auctioneer at Christie's of London signaled the sale Monday to an anonymous bidder of Van Gogh's "Sunflowers" for \$39.92 million. The price, which included a 10 percent premium to the auction house above the price posted in the background, was a record for any work of art. Page 2.

Paris May Expel Aide Of Soviet

Attaché Expected To Be Implicated In Ariane Spying

By Julian Nundy
International Herald Tribune

PARIS — France plans to expel at least one Soviet diplomat after the discovery of a spy ring that sought information on European space technology, diplomatic sources said Monday.

French news media reports said that the diplomat most likely to be asked to leave the country is Valeri Konorev, an assistant air attaché at the Soviet Embassy in Paris.

The alleged spy ring, which was broken up two weeks ago, includes two East European women, a Romanian and a Soviet citizen.

The French Foreign Ministry spokesman declined all comment on the matter "for the moment," but diplomatic sources said that a formal expulsion order was imminent.

The spy ring, operating out of the city of Rouen, about 90 miles (140 kilometers) northwest of Paris, was principally interested in a factory that made some of the motors for Ariane, a French rocket operated by the European Space Agency, according to the Interior Ministry.

The motors, fueled by a mixture of liquid hydrogen and liquid oxygen, are manufactured by the Société Européenne de Propulsion near the Seine valley town of Vernon, near Rouen.

They power the existing Ariane-4, which has put a series of communications satellites into orbit. The Vernon plant also is building a motor to power the Ariane-5, which is to launch the European space shuttle Hermes on its first flight in 1993.

Some reports said Monday that Mr. Konorev was one of two diplomats likely to be expelled. Mr. Konorev was believed to have been responsible for operating the network from the embassy.

The reports said that seven Soviet diplomats had been connected with the Rouen group.

There was no official confirmation that others were involved nor any indication of their identity or rank.

The lawyer for Pierre Verdier, the alleged French leader of the ring, said last week that the Romanian woman, Antonetta Manole, 41, had betrayed the ring last year out of rivalry with the Soviet woman, Lyudmilla Varygin, 31.

The lawyer said that Miss Manole had written an anonymous letter of denunciation to the office of Prime Minister Jacques Chirac. See SPIES, Page 2

Islamabad Says Its Jets Shot Down Afghan Warplane Inside Pakistan

The Associated Press

Border officials said the Afghan plane was shot down by two American-made F-16 fighters. The Pakistani jets hit the Afghan plane with a missile, the officials said.

The ministry spokesman said the type of plane shot down had not been identified. All Afghan Air Force planes are of Soviet origin.

A Foreign Ministry spokesman said in Islamabad last week that at least 152 people have been killed in Afghan air attacks along the border since March 23.

Pakistan aids and shelters Moslem guerrillas fighting the Afghan government, which is supported by an estimated 115,000 Soviet troops. An estimated three million Afghan



THATCHER CHALLENGE ON NUCLEAR ARMS — Margaret Thatcher, the British prime minister, told Mikhail S. Gorbachev during her speech Monday in Moscow that she would not alter support for the U.S. space-based arms system. Page 2.

refugees live in Pakistan, most of them in camps along the border.

Pakistani F-16s shot down an Afghan warplane in a dogfight over Parachinar in May 1986. That was the only other time Pakistan claimed to have shot down an Afghan warplane.

Pakistan warned the Afghan government last week that intruding warplanes would be shot down. The Defense Ministry said Monday: "The government of Pakistan has been warning the Kabul regime to desist from violating Pakistan air space. It was again made clear to them after their wanton attack on innocent civilians March 23 that any aircraft violating Pakistan air space will be shot down."

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Soviet May Let Jews Go To Israel Via Romania

By Bill Keller

New York Times Service

MOSCOW — The Soviet Union has agreed that future Jewish émigrés will be sent to Israel by way of Romania, making it more difficult for them to settle in Europe or the United States instead, according to an American rabbi who said he had negotiated the new procedure.

Rabbi Arthur Schneier, who said he negotiated the new transit procedure with Communist Party leaders in Moscow and Bucharest last month, said in a telephone interview from New York that the move could result in a further increase in exit visas granted to Jews.

"Soviet officials say that one reason for having a restrictive policy on emigration is that the applica-

tions are not genuine," said the rabbi, who is president of the Freedom of Conscience Foundation, a New York-based coalition of business and religious figures that works on religious freedom issues. "People apply to go to Israel and then they don't."

But he said Soviet officials had made no specific commitment to increase the number of exit visas as part of the new procedure.

The Soviet Union has not commented on any change in the procedure.

In Jerusalem, a Foreign Ministry official said he had no knowledge of Israel's having been informed by the Soviet Union about any such arrangement.

In the last few months, Israel has been in almost weekly contact with Soviet representatives in the United States and Europe regarding Soviet Jewish emigration. Representatives have also discussed a possible reopening of Israeli-Soviet diplomatic relations, severed in 1967 by Moscow, and possible Soviet participation in a Middle East peace conference.

Israeli officials have pressed the United States to change its immigration policies to deny Soviet Jews refugee status in hopes that more émigrés would settle in Israel.

In recent years, an estimated 80 percent of the Soviet Jews who have left with Israeli visas have claimed refugee status in Vienna and moved to the United States or Western Europe.

Under the new plan, Mr. Schneier said, Jews who are granted exit visas to move to Israel would be transported to Romania and then flown to Tel Aviv without an opportunity to claim U.S. refugee status. He said that the details remained to be worked out, but would include provisions to prevent emigrants from obtaining visas to change their destination.

Mr. Schneier, whose organization has dealt with Soviet organizations for more than 20 years, said he had received assurances from Aleks

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Look Who's Brushing Up on Shakespeare — and in Stratford!

By Francis X. Clines
New York Times Service

with the message that this once-booming mill town was getting back on the map as a featured stop for the sold-out provincial tour of "Kate" on her way down to the Old Vic in London.

This is not merely another opening, another show. For the Royal Shakespeare Company, the nation's reigning classic ensemble, is unveiling its long-awaited debut at putting fresh life into American musical classics, and Porter's 39-year-old "Kate" is first choice. This represents a considerable gamble of the RSC's trans-Atlantic stature, strengthened lately in exporting such home-grown musical hits as "Les Misérables" to Broadway.

And this West Yorkshire city, about 175 miles (about 280 kilometers) north of London, has begun redeeming its \$13 million risk in refurbishing a wheezing old Edwardian theater, the Alhambra, into a state-of-the-art house that will be the envy of the West End theater belt in London. There have been a score of similar theater renewal programs in the depressed provinces as England tries to deal with the loss of hard

industry in sundry ways, including the es-

That couplet summarizes the plot and breezy allure of Porter's "Kate," a play within a play about the tempestuous backstage romancing and hackneyed on-stage emoting of a band of touring actors in a 1948 tryout in Baltimore of "The Taming

one of the show's principals, sipping tea in his dressing room. "I've done all that, in Wilmington, Detroit, Toronto. You do this eight times a week against all the odds, a sick stomach, a fight with your lover. You go on touring to get your act together, and then you make your life messy."

A broad smile of career satisfaction brightened the face of Mr. Flavin. He is a 28-year-old American-born singer and dancer whose rave critical reviews on the road may or may not ease the pain of his failed marriage to a show-business colleague, "one sweet lady," he said gallantly.

"No, it wasn't theater problems," he said, separating life from Bard. "We just didn't work as a couple."

Audience has it easier than actor, for the love-rooted plot of "Kate" has a happier ending, with the two Shakespearean leads repairing their own failed marriage backstage by the double final curtain.

A few critics could not resist noting that even the RSC would do well to brush up its Shakespeare, but most agreed in savoring this production of Porter renewed.

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Production of Citroën's "deux chevaux," the car as symbolic of France as a pack of Gauloise cigarettes, is to be shifted to Portugal. Page 17.

GENERAL NEWS

The U.S. Air Force is studying the possibility of building portable atomic reactors for use during wartime. Page 3.

North Korea has agreed to a South Korean proposal for a meeting. Page 2.

Foes of the Pinocchio regime hope for support from Pope John Paul II during his Latin America trip. Page 3.

A New Caledonian has warned France of the dangers of a referendum. Page 2.

ARTS/LEISURE</

N.Y. Goes Back to Basics: Beef and Arteriosclerosis

By William E. Geist
New York Times Service

NEW YORK — There are issues that continue to divide Americans, and fish for dinner is one of them.

"Fish taste like water," said Dave Bannister, slicing into a medium-rare, 16-ounce (450-gram) sirloin steak, well-marbled. He said it is amazing to him what people do to try to make fish taste good: blackening them, squirming lemon juice on them and drowning them in sauces.

"You could do the same thing to a wash cloth," he said, "and avoid bones."

They used to have a fish on the menu at this restaurant, One Fifth, in Greenwich Village, that was smoked, grilled and peppered ("Grilled, Smoked and Peppered Mackerel with Arugula and Endive"). They did everything to this fish but pistol-whip it and dress it in bermuda shorts.

The mackerel has been unceremoniously dumped from the menu, along with the "Poached Salmon Marinated in Mint with Pinto Beans," the "Grey Sole with Salmon Mousse, Lemon Sauce and Papaya Chutney," and the "Grilled Lotte with Chianti Classico, Olive Oil and Oregano."

These items have been replaced by the sirloin, the filet mignon and the prime rib at the top of the menu. They are served with baked potatoes topped with butter, sour cream, chives and bacon bits — without apology.

"You can order a side of spinach (sauteed

in butter) if it helps with the guilt," said the owner, Arnie Rosen.

"The restaurant went from doing 300 tables a week to 1,000 after the menu change," said Mr. Rosen. "People finally got tired of fish, fish and more fish, even these fashionable people in the Village. A lot of them

You can salivate just thinking about a steak. This rarely happens when you think of poached blowfish.'

— Diane Rechtemwald, restaurant patron

admitted they never liked fish, that they were going along with the crowd."

"They were tired of no flavor," he said. One customer said he was putting steak sauce on the fish his wife serves at home.

"They were tired of going to restaurants and paying \$125 for two people and walking away hungry," he said, referring to the attractive, but notoriously small portions served at many nouvelle cuisine restaurants.

"Food is to eat," William Denton chimed in, "not to frame and hang on the wall."

"I think people were tired of the pretensions that seemed to go hand-in-hand with this frou-frou food," Mr. Rosen said. "If you didn't like something at a French restaurant, you thought it must be your fault. You grew up with steaks. You know if they're good or not."

Not everyone agrees with this beef backlash.

"I don't like the change," said Brenda Spellman, a customer at One Fifth who ordered broiled red snapper. "They might as well just go ahead and list arteriosclerosis as a menu item."

"Or maybe a surgeon general's warning on the menu," said her dinner companion, Shelia Petersen.

Some diners said it got to the point where not only were they unable to read French menus in New York, but the English ones as well.

"Look at this," said Benjamin Shaw, pointing to an item on the old One Fifth menu: "Baked Goat Cheese with Raddichio, Haricots Verts and Hazelnut Vinaigrette." I'm not quite sure what that really is.

"Fish is something you eat on Friday for penance," offered Ralph Grady.

"You can salivate just thinking about a steak," said Diane Rechtemwald. "This rarely happens when you think of poached blowfish" — called "sea robin" or "sea squat" in French restaurants.

Mr. Rosen, who has been in the restaurant business for years and who teaches restaurant management, predicts a trend toward more beef-eating, noting that other restaurants in the city have switched from fish houses to steak houses.

"It's occurring," said Gil Schwartz, explaining that he believes eating beef is becoming trendy, and that the phrase "It's occurring" will soon replace "It's happening" in American slang.

"If you give up everything you love in life," said Mr. Rosen, "and go around eating poached blowfish, why live?"

"Hear! Hear!" said Mr. Baumstark, at once signaling his agreement with Mr. Rosen and heralding the arrival of his dessert: ice cream stuffed with M&Ms.

There has been downturn in beef consumption during the past decade, because of warnings that the relatively high fat and cholesterol found in beef contributes to heart disease and cancer.

The Beef Industry Council recently counterattacked, coming to New York to announce the start of a \$30 million advertising campaign, "Real Food for Real People," using Cybill Shepherd and James Garner as their spokesmen.

"Sometimes I wonder if people have a primal instinctive craving for hamburgers," Miss Shepherd puts in the ads. "Something hot and juicy and so simple you can eat it with your hands."

Not everyone agrees with this beef backlash.

Thatcher Challenges Soviet on 'Star Wars'

The Associated Press

MOSCOW — Prime Minister Margaret Thatcher vowed Monday that Britain would never give up its nuclear missiles. She accused the Soviet Union of developing a space-based defense system despite vehement denials by the Kremlin.

Mrs. Thatcher said that any agreement between the United States and the Soviet Union to eliminate medium-range nuclear missiles in Europe would only be acceptable to Britain and other North Atlantic Treaty Organization countries if it included reductions in the Soviet short-range missile forces already based in Europe.

Her position echoed that taken by U.S. negotiators in Geneva.

In a speech delivered at a state banquet in her honor given by Mikhail S. Gorbachev, Mrs. Thatcher applauded the recent release of political prisoners by the Kremlin, but she said more prisoners must be freed and emigration must be increased if Mr. Gorbachev wants to establish trust in the West.

Earlier in the day, Mrs. Thatcher, on the first state visit by a British prime minister to the Soviet Union in 12 years, held two rounds of talks with Mr. Gorbachev on nuclear arms reduction and human rights.

In her speech at the banquet, Mrs. Thatcher scoffed at long-standing Soviet calls for a world free of nuclear weapons, saying such a world would be less stable and more dangerous.

Mrs. Thatcher, whose government has agreed to participate in research on the U.S. Strategic Defense Initiative, condemned by the Kremlin as the major threat to peace, warned Mr. Gorbachev that it was futile to try and halt the program, popularly known as "star wars."

The Kremlin has denied it is working on a similar system of space weapons. Mrs. Thatcher's remarks were one of the most straightforward and highest level rebuffs of those denials.

The British leader suggested that Washington and Moscow negotiate a treaty strictly confining the planned research programs of both parties.

Saying conventional weapons had not been enough in the past to stop two World Wars, the British leader said nuclear weapons have ensured peace for more than 40 years.

"Without far greater trust and confidence between East and West than exists at present, a world without nuclear weapons would be less stable and more dangerous for all of us."

That is why the government which I lead will not abandon the security provided for our country and for the NATO alliance by nuclear weapons," Mrs. Thatcher said.

At the same time, the lawyer for Sergeant Clayton J. Lonetree, one of the marines accused of spying, said the second marine accused but not formally charged in the investigation, Corporal Arnold Brady, had recanted his story in a classified statement. Earlier Monday, the marines sent Sergeant Lonetree, 25, to Bethesda Naval Hospital for a psychiatric evaluation to determine his ability to stand trial in a court martial.

The decision provoked widespread resentment among Moslems, who began a series of protests, culminating in the mass rally.

WORLD BRIEFS

2 Palestinian Women Hit by Snipers

BEIRUT (Reuters) — Sniper fire wounded two Palestinian women Monday as they protested in Bint al-Brajneh refugee camp against a food blockade by Shiite Moslem Amal militiamen. Palestinian sources said five unarmed people were killed by sniper fire at the nearby camp Sunday when about 150 women and children marched to the edge of the camp to stage a similar protest, a Greek-Canadian doctor, Chris Giannou, told Reuters by radio telephone.

Amal fighters have ringed the camp since Oct. 29. Doctor Giannou said conditions in Chatila, where 3,200 people are living in the few surviving shelters, were "close to catastrophic." He said there were severe shortages of food, clean water, medical supplies and fuel.

Greece Says Oil Rights Dispute Is Over



AP Wirephoto

Shamir Retains Party Leadership

TEL AVIV (AP) — Prime Minister Yitzhak Shamir retained his leadership of the rightist Herut party at the party's convention Sunday. Mr. Shamir, 71, was re-elected Herut Party chairman. He was unopposed.

The focus of the convention was a challenge to Mr. Shamir's political allies, which Mr. Shamir won when his candidate, Minister at Large Moshe Arens, was elected party secretary. Aviel Sussel, minister of trade and industry, was elected chairman of the central committee, the party's main governing body.

In a speech after his re-election, Mr. Shamir told his supporters the West Bank and Gaza Strip "will stay in our hands forever." Herut considers Gaza, which Israel captured from Egypt in 1967, and the West Bank, captured from Jordan in the same war, integral parts of Israel. The delegates approved a resolution urging the government to annex both territories.

Moslems Rally in India for Shrine

NEW DELHI (NYT) — More than 150,000 Moslems marched on Monday through central New Delhi under heavy police guard and then held a peaceful but emotional rally to demand the restoration of a disputed shrine that was turned over to Hindus last year. The gathering was said to be among the largest held by any political group in New Delhi in recent years.

Hindus reverse the shrine as the birthplace of the god Ram and have vowed to oppose any move to give it to Moslems. Muslim politicians and theologians say the place is a mosque built in the 16th century by Babur, founder of the Mogul empire. It was silt and locked to both sides when the controversy flared 30 years ago. Last year a local judge ordered it opened to Hindus.

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U.S. to Pull Out Marines in Moscow

WASHINGTON (UPI) — All 28 Marine guards at the U.S. Embassy in Moscow will be withdrawn next month to help in the investigation of two marines accused of allowing Soviet spies into the building, the Marine Corps said Monday. They will be replaced by other marines.

"This measure is precautionary in nature and is intended to facilitate an investigation of the security program at the U.S. Embassy," a statement said. "There's no evidence that any of the returning marines are implicated in any wrongdoing."

At the same time, the lawyer for Sergeant Clayton J. Lonetree, one of the marines accused of spying, said the second marine accused but not formally charged in the investigation, Corporal Arnold Brady, had recanted his story in a classified statement. Earlier Monday, the marines sent Sergeant Lonetree, 25, to Bethesda Naval Hospital for a psychiatric evaluation to determine his ability to stand trial in a court martial.

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That is why the government which I lead will not abandon the security provided for our country and for the NATO alliance by nuclear weapons," Mrs. Thatcher said.

At the same time, the lawyer for Sergeant Clayton J. Lonetree, one of the marines accused of spying, said the second marine accused but not formally charged in the investigation, Corporal Arnold Brady, had recanted his story in a classified statement. Earlier Monday, the marines sent Sergeant Lonetree, 25, to Bethesda Naval Hospital for a psychiatric evaluation to determine his ability to stand trial in a court martial.

The British leader suggested that Washington and Moscow negotiate a treaty strictly confining the planned research programs of both parties.

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Pat Robertson Tacks Away From Television Preachers' Storm

By Wayne King
New York Times Service

NASHUA, New Hampshire — The Reverend Pat Robertson, pressing his crusade for the presidency in New Hampshire, has been working hard to keep a distance from the battle enveloping his fellow television evangelists.

At first Mr. Robertson, who despite mid-music poll ratings led the Republican field in early Republican Party tests in Michigan and South Carolina, said the animosity among television evangelists was "a prelude to an accelerating revival."

Then, after a late-night bungle with sides last week, he began dismissing as an aberration the matter that provoked the divisiveness: the sex scandal and shakeup of the Reverend Jim Bakker's ministry on the PTL Television Network.

When queried about the turmoil, Mr. Robertson would ask if the James Cooke affair, in which a journalist won the Pulitzer Prize for a story later found to be a fabrication, meant that all journalists were liars, or if Ivan Boesky's transgressions meant all stock traders were shady.

His initial approach seemed to play well in the churches, but the new one appeared to do better with secular audiences.

Changes in tack to match shifts in political winds are nothing new in the testing stages of political campaigns, but in Mr. Robertson's case, there seemed a differ-

ence, perhaps basic. One approach came from the preacher, the other from the politician, for he is both.

He is a graduate of an Ivy League law school with a specialty in tax law. His father, A. Willis Robertson, a Democrat, served 14 years in the House of Representatives and 20 more in the Senate, rising to become chairman of the Banking Committee.

He has never held elective office nor practiced law. But Mr. Robertson, who is also a seminary graduate and ordained Southern Baptist minister, has a television ministry that reaches 28 million Americans.

He is a "charismatic Christian," who says abortion "has murdered 25 million babies," that only the religious have the dedication to bring up children, that those who argue that children are wards of the state are guilty of "Nazism" and that while parents are totally responsible for their children, the children "belong to God."

In speeches, sermons and interviews, he reels off a barrage of statistics — on crime rates, drug use, AIDS, unemployment, divorce rates, the national debt, the projected Social Security shortfall — with the ease of a polished campaigner.

Sometimes, as when he took the pulpit at the little Community Chapel of the Church of the Nazarene here in Nashua Thursday

night, he seems to be conducting both a political campaign and a religious revival.

Mr. Robertson, a softly handsome man of 57 with a ready smile, was the subject of this exhaustive introduction:

A graduate of Washington and Lee University, Yale University Law School and

University, with 944 students in five graduate programs and a law school, and, "a great candidate for president of the United States."

The congregation applauded. Television cameras flanked the pulpit, their lights bathing the choir.

Mr. Robertson translated the parable of the talents into a "tale of free enterprise" in which the biblical entrepreneur "rented a caravan of camels, perhaps from the Hertz of the day," and took to the path of commerce, doubling his money and returning to his master the equivalent of \$3 million.

It was by applying the biblical principle of using one's talents, Mr. Robertson said, that he turned a small investment in a dilapidated television station in 1959 into a Christian cable network that is now booked into 34 million homes.

Asked in an interview if he believes in a return to a theocracy that the U.S. Constitution specifically bars, Mr. Robertson re-plied:

"A theocracy implies that the priests are running things, which I don't believe is in any way appropriate, but I do believe that we have clearly a theistic country whose institutions — and I quote Justice Douglas — whose institutions presuppose a supreme being. I think our declaration, the Northwest Ordinance, the Constitution itself, the foundational documents of our

country, are tied in with religion and morality."

That view, coupled with strong anti-Communism, have drawn fervent support among evangelical Christians. He maintains that the primary goal of American foreign policy should be not containing Communism but eradicating it.

His followers turned out in large enough numbers to seize the Republican Party machinery in Michigan, and appear to be in a position to do so in South Carolina.

But such caucuses hinge far more on the fervor of a few than on mass appeal, and it remains to be seen whether he can broaden his support or whether it is, as some political analysts say, "a mile deep and a foot wide."

While Mr. Robertson maintains that the fallout from the infighting among television evangelists over the PTL turmoil in no way affects him, political analysts see damage to his campaign.

"Absolutely, there's no way around it," said Kevin Phillips, the political analyst whose book "The Coming Republican Majority," foreshadowed the emergence of the religious right.

The whole evangelical-fundamentalist movement becomes a caricature," he said. But Mr. Phillips said that before the PTL shambles, "there was evidence of growing grass-roots support" for his campaign.



Pat Robertson campaigning in Rochester, New Hampshire.

U.S. Studying Portable Reactors For Backup Power in Nuclear War

By Richard Halloran
New York Times Service

WASHINGTON — The U.S. Air Force is exploring the possibility of building several hundred small nuclear reactors that would generate electrical power in a protracted nuclear war, according to air force, Department of Energy, congressional and industry officials.

The officials estimated that the plan would take five years to execute and would cost about \$20 billion for 300 reactors.

The reactors, which would be transported by air around the country and overseas, would produce emergency electrical power for computers, communication lines, weapon launching sites, support equipment and repair shops, the officials said.

They would be used if the commercial power grid on which the air force relies were destroyed by nuclear attack.

The Department of Defense has requested \$5.5 million for the project in the fiscal year beginning Oct. 1. That money would be used to make a partial payment on an \$11.9-million contract being negotiated between the government and Westinghouse.

Six companies in the nuclear industry submitted design concepts. Westinghouse was selected to submit a detailed design for reactors that could produce 10 megawatts, according to Gary S. Flora, the air force's associate director of engineering and services.

After a survey of U.S. bases, Mr. Flora told the subcommittee of the House Science and Technology Committee on March 19: "The Department of Energy recommended

small nuclear reactors as one viable option which could satisfy our needs and proposed to assist us in the evaluation of this potential."

The dimensions and weight of the reactors, the nature of the containers that would be used for transporting them, and other safety factors have not yet been decided. Underground concrete and steel shelters would be designed to protect them on site.

If the project goes into production, the air force and Department of Energy probably would place the first orders in the United States in more than 10 years for nuclear power plants.

The project, which officials said, on one side, the officials said, the project is vital to the Reagan administration's strategic strategy and to the air force, which is charged with developing most of the weapons and supporting structure to fight such wars. The nuclear industry that would produce the reactors are deemed likely to support the project.

On the other side would most likely be anti-war groups, environmentalists who oppose nuclear power, and a variety of others who would say the plan will add to the federal deficit.

Much of the debate will probably go on in Congress, which must approve all funds for research, development and production of the nuclear reactors.

Today, the air force depends largely on commercial power grids for electricity to operate a wide range of equipment and facilities, signed.



Louis Nel

Ex-Censor Quits Party in South Africa

Reuters

JOHANNESBURG — Louis Nel, the government official who was in charge of enforcing censorship in South Africa during the height of racial strife last year, said Monday that he would not be a candidate in the whites-only election in May.

Mr. Nel withdrew after newspaper disclosures that he had been involved in a deal to buy South African government property in Tokyo. He was removed in December from the post of deputy information minister.

He said on the state radio Monday that he had not come under pressure to leave the ruling National Party but that he was withdrawing his candidacy in a Pretoria constituency to devote his time to private business.

The opposition Progressive Federal Party charged that Mr. Nel had either been pushed aside by the National Party or had resigned to save face.

The nationwide state of emergency imposed in June in an effort to crush widespread rioting in black townships included severe reporting restrictions. Mr. Nel, who was regarded by foreign reporters as uncompromising, had argued that accounts of violence had fueled anti-South African sentiment and had provoked sanctions by other nations.

Cabinet Nominee

The National Party on Monday nominated Harry Dilley, the mayor of Simonstown, near Cape Town, as its candidate to replace the minister of environmental affairs and tourism, John Wiley, 60, who committed suicide Sunday, United Press International reported.

Meanwhile, the police reported that four black civilians died and a fifth person was injured Saturday when their van set off a land mine on a dirt road near the border with Mozambique.

In addition, they said, he was one of the architects of the highly complex Israeli air raid that wiped out the Syrian surface-to-air missile network in Lebanon during its first week of the Israeli invasion in June 1982.

Meanwhile, an Israeli fund-raising committee, "Citizens for Jonathan Pollard," urged Israelis on Monday to write letters of support to Mr. Pollard and his wife.

"The Pollards are not alone," the group said in an advertisement in the Jerusalem Post.

It called on Israelis to write to Mr. Pollard at the Missouri prison where he is serving his sentence.

His wife, Aune, who was sentenced to five years in prison as an accomplice, is in a Kentucky jail.

The committee was formed recently to raise funds to cover the couple's legal costs, estimated at \$120,000. (Reuters, NYT)

The justices will decide whether the award for the evangelist's "emotional distress," caused by an advertising spoof in Hustler, violated the magazine's rights to free speech.

The court's decision could set guidelines on the legal protections afforded satire and parody in the United States. A decision is expected next year.

The Dutch health law allows authorities to subject foreigners to a health test if there is reasonable suspicion they are suffering from a contagious disease threatening public health here, but it has not been invoked to perform AIDS tests at the country's ports of entry. As of Dec. 31, 218 cases of AIDS had been reported in the Netherlands, including 126 deaths.

The minister did not explicitly advocate tests for acquired immune deficiency syndrome, which undermines the body's natural ability to combat disease. He said that although Dutch authorities are allowed by law to administer AIDS tests to foreigners entering the Netherlands, this country "is too small to go it alone."

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Pinochet Foes Hope for Papal Advocacy

By Juan de Onis
International Herald Tribune

SANTIAGO — Pope John Paul II leaves Tuesday for a trip to three Latin American countries, including Chile, where his visit will test the Roman Catholic Church's opposition to the repressive military regime of President Augusto Pinochet.

The Chilean church has been at odds with General Pinochet since he deposed the leftist government of President Salvador Allende, who died in the 1973 coup.

Since General Pinochet took power, two priests have been killed, bishops have been stoned by government supporters, some priests have been jailed and scores of foreign priests have been expelled.

The pope will also visit Argentina and Uruguay, where the church's leaders have helped in their countries' return to democracy in recent years.

This is the pope's seventh trip to Latin America. He is to arrive in Uruguay Wednesday. He will then visit Chile for six days, and go on to Argentina for another week, returning to Rome April 13.

In Chile, the issues that have forced the church into confrontation with the regime include political assassinations, torture of prisoners, exile of opponents, censorship, cultural restrictions and anti-homosexual policies.

General Pinochet, who is a Roman Catholic and goes to church services, has avoided a break with the church, but he is often sharply critical of the bishops here.

He has told Cardinal Juan Francisco Fresno, the archbishop of Santiago, to keep the church "out of politics."

In these circumstances, the first visit by a pope to Chile is a political event.

Both the government and its partisans and the opposition, are trying to turn the six-day visit to their advantage.

"The pope will be visiting a divided society," said the Reverend Renato Hevia, who is editor of the Jesuit magazine Mensaje. "Everyone is waiting to see how the world's highest moral authority will address the situation he finds."

The opposition Progressive Federal Party charged that Mr. Nel had either been pushed aside by the National Party or had resigned to save face.

The nationwide state of emergency imposed in June in an effort to crush widespread rioting in black townships included severe reporting restrictions. Mr. Nel, who was regarded by foreign reporters as uncompromising, had argued that accounts of violence had fueled anti-South African sentiment and had provoked sanctions by other nations.

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Swedes Confirm Illegal Arms Shipments to Mideast

By Juris Kaza
International Herald Tribune

STOCKHOLM — Officials of Nobel Industries confirmed Monday that an armaments subsidiary was involved in illegal arms sales, and gave details of extensive smuggling of weapons, ammunition and explosives to the Middle East and other destinations blacklisted by the government.

The three firms were Sister Maria Pilar de San Francisco de Borja, who was 58 when she was killed; Sister Maria Angeles de San José, 31, and Sister Teresa del Niño Jesús, 27. They were seized and slain by a firing squad on July 24, 1936, after they fled

former President Jean-Claude Duvalier or in Nicaragua under the Sandinistas.

The role of the church here is not to overthrow Pinochet, but we are not going to be silent in the face of abuses," said a Chilean bishop who has had a key role in informing the pope on the Chilean situation. He was interviewed on the condition that he not be named.

"There is no conflict that will make the pope keep his silence," said Eduardo Cardinal Pironio, an Argentine prelate and the highest-ranking Latin American at the Vaticano.

The Chilean church, particularly in the archdiocese of Santiago, exemplifies the "progressive" within the Latin American Church.

The government hopes the pope will condemn Marxism, political terrorism and political activism by priests.

Faced with the danger of polarization, the church has been instrumental in informing the pope of the government's policies.

The government hopes the pope will condemn Marxism, political terrorism and political activism by priests.

In his previous Latin American trips, the pope has never failed to back up the national bishops, particularly when they are under attack, as during his visit to Poland, where he did not embrace the government.

But there is a significant victory for the government and its conservative forces among Spanish-speaking Catholics.

The pope said Mass on Sunday with 630 priests, 34 bishops and six cardinals, including the archbishop of Madrid, Cardinal Angel Suares Goicoechea. The service in St. Peter's Basilica elevated the three women and two men to ranks of the "blessed" of the Roman Catholic Church. Beatification is the final step before sainthood.

The ceremony Sunday came only two days before the pope was to leave for a two-week visit to South America, and appears to be a significant victory for conservative forces among Spanish-speaking Catholics.

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The three nuns

OPINION

INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

Trade Has Its Rules

The White House declaration of a chip war with Japan is an unhappy event, but something like it was inevitable. The Japanese assault on the world market for semiconductors and integrated circuits has raised too great a threat to the American producers in an industry that the United States, like Japan, regards as crucial.

The response that President Reagan now promises will be the first instance of America can trade retaliation against Japan. That is extraordinary when you consider the long history of trade disputes between them and the enormous impact of Japanese imports on many American industries.

The issue here is predatory pricing — pricing that is held below the cost of production to buy a dominant share of a market. It is illegal for an American company at home, and it ought to be illegal in international trade. A lot of American manufacturers in other industries have complained of Japanese pricing practices. Why is the administration finally forcing the question on chips rather than autos or steel or machine tools? Predatory pricing was not always so clear in the other products, and judgments there were complicated by the evidence that the Japanese producers were simply more efficient than the Americans.

Semiconductors present a clearer example. But policing prices is never easy. In the agreement between the two governments

last year, the Japanese pledged greater imports of American chips into their market and no more dumping in third countries. The Reagan administration charges that neither of these promises has been kept. The most important of the two is the prohibition against dumping worldwide, and it is especially hard to enforce on unwilling adversaries without the kind of market-sharing and cartelization deals that are the death of healthy competition.

Prime Minister Yasuhiro Nakasone is to visit Washington at the end of next month, a gesture that both he and his host presumably hope to use to limit the political impact of the chip war. But now the United States is trying to reach beyond the diplomats and force a change in the way that several big Japanese companies do business.

The United States has for some time been trying to deliver the message — to which the Japanese have proved remarkably resistant — that as it has grown strong and wealthy, Japan can no longer expect to have its less acceptable habits overlooked by its trading partners. With strength come responsibilities. There are certain disadvantages to being a great economic power, and one is to be treated at last not as a dependent and a client but as an equal. That means, among other things, living by the same trade rules as other great economic powers.

— THE WASHINGTON POST.

Afghan Pressure Policy

It is not hard to guess why Soviet planes flown by Afghan pilots are striking across the border at Pakistan. The aim is intimidation. By raising the stakes in its eight-year-old war in Afghanistan, Moscow hopes to impel Pakistan to accept its peace terms. That would mean cutting off all outside aid to Afghan insurgents and giving 115,000 Soviet troops 18 months to mop up an abandoned resistance.

The trick for America is to keep helping the Afghan rebels without undermining other important interests in a region beset by violence, fundamentalism and, in the Gulf sector, escalating threats to neutral shipping. This makes for two complex balancing acts.

First, the United States must balance its anti-Soviet goals in Afghanistan with its global nuclear nonproliferation policy. Washington needs Pakistan's cooperation in the Afghan fight, and that requires shipping substantial amounts of arms to and through Pakistan. Yet providing them unconditionally could convince Pakistan that it can continue to develop a nuclear weapons capability with impunity, that Washington would not dare cut off aid simply to stop proliferation.

No one has a good answer to this problem. Washington is wise to maintain the arms pipeline, while sustaining maximum pressure on Islamabad to stop its nuclear weapons program. At the minimum, this calls for something like the formula proposed by Senator John Glenn. The Ohio Democrat favors continued military aid if President Reagan is able to certify that Pakistan has stopped producing weapons-grade nuclear materials. To settle for anything less would amount to condoning Islamabad's nuclear ambitions and mock the nonproliferation efforts of decades.

The second balancing act is between India and Pakistan. Citing the Afghan border raids, Pakistan says that it urgently needs AWACS early-warning planes, jewels of the American arsenal. Here, surely, caution is needed to avoid inflaming a rivalry that has ignited three wars. The immediate need is to establish whether Pakistan really requires this advanced aircraft and other sophisticated devices or whether adequate substitutes are available. Again, the decision is a tough one, because Indian leaders are certain to fear that the new weapons will be used against them. In the meantime, Pakistan might consider redeploying some of its aircraft from the border with India and move them nearer to the Afghan frontier. This would send the necessary signal.

For all their differences, India and Pakistan both fear the Soviet presence in Kabul and want a Soviet withdrawal. The sticking point is the future of the Afghan regime kept in power by Soviet troops since 1979.

Soviet signals are confusing, suggesting that Mikhail Gorbachev still hesitates to risk the fall of a Soviet-installed regime. At this juncture, it would be no service to Soviet leaders genuinely seeking an exit, if such exist, to reward border raids with concessions. Far better for Washington to sustain the military pressure in Afghanistan, balancing this as far as possible with the search for an Afghan peace, for nuclear restraint and for detente on the subcontinent.

— THE NEW YORK TIMES.

Pay College Athletes

Provoked by the football scandal at Southern Methodist University, his alma mater, Representative John Bryant of Texas has introduced legislation to cut off all federal funds to colleges that make under-the-table payments to athletes. Given the American propensity to seek a legal solution for every problem, such a proposal was probably inevitable. But it is not wise. A better solution would go in just the opposite direction: Pay athletes outright and let them stop masquerading as students and amateurs.

With a long athletic tradition, a big stadium to fill and a position in the fiercely competitive Southwest Conference, Southern Methodist was almost bound to cheat. The disclosure that the chairman of the board of governors approved illicit payments was shocking but not surprising. On other campuses, top officials insulate themselves from knowledge of such dirty details.

Last year's SMU was the University of Georgia. A wrongful dismissal suit by a remedial English instructor, Jan Kemp, revealed a wholesale sellout of academic standards to athletic competitiveness. Athletes were enrolled in easy courses and kept eligible for sports, but were never really expected to graduate. Scandal has stained other schools recently — Tulane, Clemson, the University of Maryland, the University

of Minnesota, Memphis State and Texas Christian, to mention just a few.

Ideally, colleges would simply get out of the business of sponsoring athletic entertainment, but that is not going to happen. Too much depends on it: too many jobs, too much excitement and too much revenue from big-time sports — directly from tickets and television, and indirectly in contributions from electrified alumni.

That dependence need not mean surrender. Reform can be achieved by ending the connection between academic performance and athletic eligibility. Let schools like Southern Methodist create a league and openly pay athletes to play for them. Any athletes who wish to and are academically qualified could also attend school, like other students. But their employment as players would be completely unrelated.

This arrangement would answer several needs. It would allow colleges to continue reaping the publicity and financial benefits of sports, but as strictly auxiliary enterprises. It would allow talented young basketball and football players to prepare for professional athletic careers in a straightforward minor-league arrangement. Best of all, it would remove the corrosive conflict between athletics and academics.

— THE NEW YORK TIMES.

Other Comment

Chips War: A Bad Example

If the multilateral trading system enshrined in the General Agreement on Tariffs and Trade is to survive, it needs the whole-hearted commitment of the United States. That commitment looks fragile. At the end of last week the Reagan administration announced plans to impose tariffs on certain Japanese electronic products. This is to punish Japanese companies for alleged failure to abide by the terms of last year's semiconductor trade agreement between the two countries, which was designed to curb predatory pricing by Japanese manufacturers and to

open up Japan's domestic market to U.S. suppliers. That agreement was itself of doubtful legality under GATT rules; the European Community is challenging it. Last week's decision is even more dangerous.

By resorting to aggressive, unilateral action, the United States is setting a bad example just at the time when a new GATT round of trade negotiations is getting under way. It is extremely worrying that political leaders are making no attempt to proclaim the virtues and benefits of a liberal trading system, but instead are pandering to the protectionist instincts of national interest groups.

— The Financial Times (London).

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, Neuilly-sur-Seine, France

Tel: (1) 46.37.93.00. Telex Advertising, 612832; Editorial, 612718; Production, 630696.

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Post-Pollard: A Senator Helps the Wound to Fester

By William Safire

WASHINGTON — Senator David Durenberger of Minnesota, until recently the Republican chairman of the Senate Intelligence Committee, called to set up a breakfast date last week. Fine with me. I had heard he was a nice guy, maybe a little flaky, and I assumed that he wanted to explain his recent gaffe.

According to someone present who took notes, Mr. Durenberger told a group of Jewish leaders in Palm Beach, Florida: "We changed the rules in the early '80s. We recruited an Israeli to spy on Israel and he got caught ... I can't justify Pollard, but I can understand it."

Despite the disclaimer that was intended to reassure Jews that "everybody did it," and that Israel was justified in retaliating by hiring an American to betray his country. By offering compensation to the higher-ups in Israel who are trying to conceal their wrongdoing, the senator strains the ties between Israelis and Americans.

My mind was fixed on this issue just as my mouth was fixed for an elegant breakfast at Washington's Grand Hotel. But at the last minute, his office called to cancel; no flaky croissants and no senator. Nor was he available to talk on the telephone. An aide made clear that I was the last person in Washington he wanted to talk to about the Jonathan Jay Pollard affair.

Why the sudden clam-up? A few calls by Martin Tolchin of The New York Times unearthed the story: Acting on complaints from senators and administration officials, the Senate Ethics Committee had begun an investigation of Mr. Durenberger's apparent breach of security. "This is certainly stuff," one angry senator told me. Only six

U.S. senators have been censured by the Senate.

The last was Joseph McCarthy in 1954, although the verb chosen in that case was "condemned."

This case is unlikely to go that far, but what infuriates some senators and disturbs many others is that the Durenberger leak justifies the presidential "findings" that secretly deny oversight to the Senate. This is akin to the tell-em-not crowd in the White House.

Until now, Senate Intelligence has been relatively leakproof. Now here is a former chairman tossing off a state secret at a fund-raiser.

Wait: What if the Durenberger story is a figment of his imagination, a way of getting even with his old tormentor, William Casey? The U.S. and Israeli defense ministers have both flatly denied that the CIA was caught trying to penetrate the Israeli government, and there is always the chance that those denials are true. If so, how can the senator's spreading of a false story for reassurance and/or vengeance purposes be a breach of security? If it isn't true, no secret leaked.

Therein lies the Senate's bind. If the senator's charge of a CIA rule change about spying on allies is true, a vote to discipline him would confirm it and spill the secret; if it is not true, an ethics committee decision not to bring charges would allow intelligence committee members unfairly to clobber the executive branch with impunity.

Unbind yourselves, Senators. The only way out is full disclosure, letting the chips fall on CIA or on Mr. Durenberger's re-election chances. This

investigation requires an intelligence committee study, with administration cooperation, of policy on spying on allies: Is there no line between the vacuum-cleaner collection of information from the Big Ear and the payment of covert agents in friendly capitals? The golden rule of spookery — do it to your allies before they do it to you — is not necessarily the best national policy.

This has the Pollard case struck again, endangering the career of a United States senator who was only trying to "understand" the Israeli motivation. This point should not be lost on Jerusalem. This wound is festering, not healing.

Colonel Avieli Sella, Mr. Pollard's Israeli handler, gave up Sunday the prestigious assignment he was awarded just before the Pollards were sentenced. In a couple of weeks, the non-judicial Israeli commission that has promised total secrecy to witnesses will probably recommend the retirement from state-owned industry of the spymaster Rafael Eitan, with some stern finger-wagging at the collective leadership. That would be too little and too late, an attempt to appease Americans rather than cure the illness that infects the cover-up coalition.

Message to Israel from a friend who eats breakfast alone: Forget about coming clean as a favor to American Jews or to preserve U.S. aid. Your central purpose in making wrongdoers accountable is to preserve the soul of your democracy. Where are leaders with the courage and patriotism to say, "I knew about the operation, I tacitly authorized it, I meant well, I was mistaken, I resign?" Failing that, where is the new Isaiah?

The New York Times.

A Statesman Is Needed For Greece

By Flora Lewis

LOS ANGELES — Prime Minister Andreas Papandreou of Greece has been edging up to the brink for years. He has been stirring nationalism, feeling against Turkey, an easy task, and against the United States, which is a little harder but popular on the left, to bolster his internal position.

His policies have caused serious damage to the always-frail Greek economy. But he has relied on nationalism, de Gaulle-style posturing on the international scene, to appeal to the emotional Greeks.

He tried posturing and blocking needed decisions in the Common Market for a time, and it worked to the point of winning huge supports for Greek agriculture. But he cannot push further in that forum without risking the loss of the big payments. Mr. Papandreou did not start Greece's troubles with NATO; they came as a result of the Turkish invasion of Cyprus. But he has regularly exacerbated them, promoting the view that the real threat to Greece comes not from the Soviet bloc but from an alliance member, Turkey. He has flirted with threats to shut down U.S. bases in Greece which are truly important for security of the eastern Mediterranean, primarily to win more concessions from the United States in the balance of arms that it supplies to both Greece and Turkey.

Last week he threatened war with Turkey over the issue of a Turkish oil exploration ship preparing to sail to waters between Greek islands and the nearby Turkish coast. The crisis appears to have eased with Turkey's pledge to avoid the disputed waters. But Mr. Papandreou seems to think he can maintain control and manipulate the fevered public opinion he deliberately fans. It is a very dangerous game.

Dreams of Byzantine glory and territorial ambition brought disaster to Greece after World War I. Nothing has changed the fact that Turkey is a big country, now with a population of 50 million, facing a small country, Greece, which has 10 million. Furthermore, the well-equipped, well-trained Turkish Army is more than three times bigger than Greece's.

Mr. Papandreou knows all this. No doubt he does not want war. He just wants to use the fear of war between allies in the most sensitive part of the Mediterranean to force American pressure on Turkey and make himself a hero to his disillusioned people.

A statesman would have sought to resolve the long-festering Greek-Turkish quagmire, the only one active among European allies. An offer of negotiations and reconciliation would serve the interests of both countries as well as the alliance as a whole.

But this is not Mr. Papandreou's style. On the contrary, he has brought his people to question the value of the alliance if it fails to put Greek interests ahead of those of Turkey, which borders the Soviet Union and guards the passage from the Black Sea to the Mediterranean for the Soviet Navy. It is illogical to create the impression that Greece would be safe facing Turkey alone, without allies, but it does stir the passions of the fiercely independent-minded Greeks.

As part of his dramatic charade, Mr. Papandreou sent his foreign minister to Bulgaria. "It must be clear," Mr. Papandreou said, "that in the case of military conflict there will be a drastic change both in the Balkan area and in the whole Western defense system, that is, in NATO." The implied threat was that in the event of a war, Greece would seek Bulgarian support, which in effect means Soviet support, and even perhaps a alliance.

That would be a disaster for the West, and for Israel, but even more so for Greece. In his brinkmanship, Mr. Papandreou evidently did not consider the possibility that the United States might decide that the defense of an unwilling Greece was not worth the trouble and leave him to sort out the problems he has aggravated.

No doubt the prime minister is relying on the vocal, effective Greek lobby in the United States to save him from the consequences of his bravura. The Turks, who do not have a similar American ethnic constituency, are trying to create a rival lobby, who are masters of the art. Foolishly, in his desire to win Arab support against Turkey Mr. Papandreou has allowed once cordial Greek-Israeli relations to sour.

It is bad enough to have these countries using internal American funds. It would be a catastrophe to let the tensions get out of hand. Responsible Greeks should restrain their voluntary prime minister. Or better, in their own interest, they should find a statesman to replace him.

The New York Times.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: U.S. Primaries

NEW YORK — Theodore Roosevelt's defeat in the New York primaries and in Indiana, Colorado and Mississippi made this a sad week for his campaign managers, who are now seeking to induce him to withdraw from the fight. Mr. Roosevelt's "boom" has suffered an almost complete collapse. On his trip through the West, he aimed vicious blows at President Taft and made statements that are interpreted as meaning that he will run independently if the Chicago Convention fails to nominate him. There is little change in the Democratic situation. The count stands at 57 delegates for Speaker Champ Clark; 15 for Governor Woodrow Wilson of New Jersey; 30 for Governor Thomas R. Marshall of Indiana; 4 for Governor Judson Harmon of Ohio. But Governor Wilson is far in the lead in popular favor.

What a good agreement will do is solve the problem that NATO set out to solve in 1979, the problem of the SS-20 missiles targeted on NATO. The goal is to restore the status quo ante 1976 as regards INF systems and to improve on it, since the 600 SS-20s and SS-5s then targeted on Western Europe will be gone as well.

This is not to say that the remedy will be easily achieved. The two bottom-line issues for the United States, effective verification and equality in shorter-range INF, must be satisfactorily resolved. Both are important to U.S. friends and allies in Europe and Asia, as is relief from the triple-headed, mobile SS-20s.

So we are a long way from finished.

But the subject has changed. The

1937: Gandhi Warns

DELHI — Indian minority party leaders are now attempting to form governments in all the six provinces in which Mahatma Gandhi's Congress party obtained a clear majority in the recent national elections, only to refuse to assume the responsibility of governing on the grounds that the provincial governors declined to leave them a clear field for action.

OPINION

Look Here, She Could Say, Don't Call Me First Madam

By A.M. Rosenthal

WASHINGTON — Right at the start, perhaps on inauguration Day, the next first lady of the United States should ask government officials, press, television, diplomat and the whole country never to call her that.

It is high time. The whole first lady business is a piece of creaky condescension. No other country is so disrespectful of the worth of a woman as to give her such fawning attention and mock-

ON MY MIND

royal status because she married a man who was later elected to high office.

Doris Thatcher would not permit such indignity and neither, if that day arrives, would Baron Kirkpatrick. Simply raising the possibility of a first gentleman shows what an insult to women the phrase and concept of first lady is.

The phrase did not become widely used until 1971, when a play about Dolly Madison called "The First Lady of the Land" opened. With time, the simpering emphasis on reflected glory, has become more and more embarrassing.

Most women in America now have professions, trades or crafts. That includes the higher-income, higher-education group from which the wives of presidents generally come. Those who do should go on working, as best they can.

It will be difficult because of security problems and potential conflicts of interest. But making the plea for dropping the first lady label will be the first step.

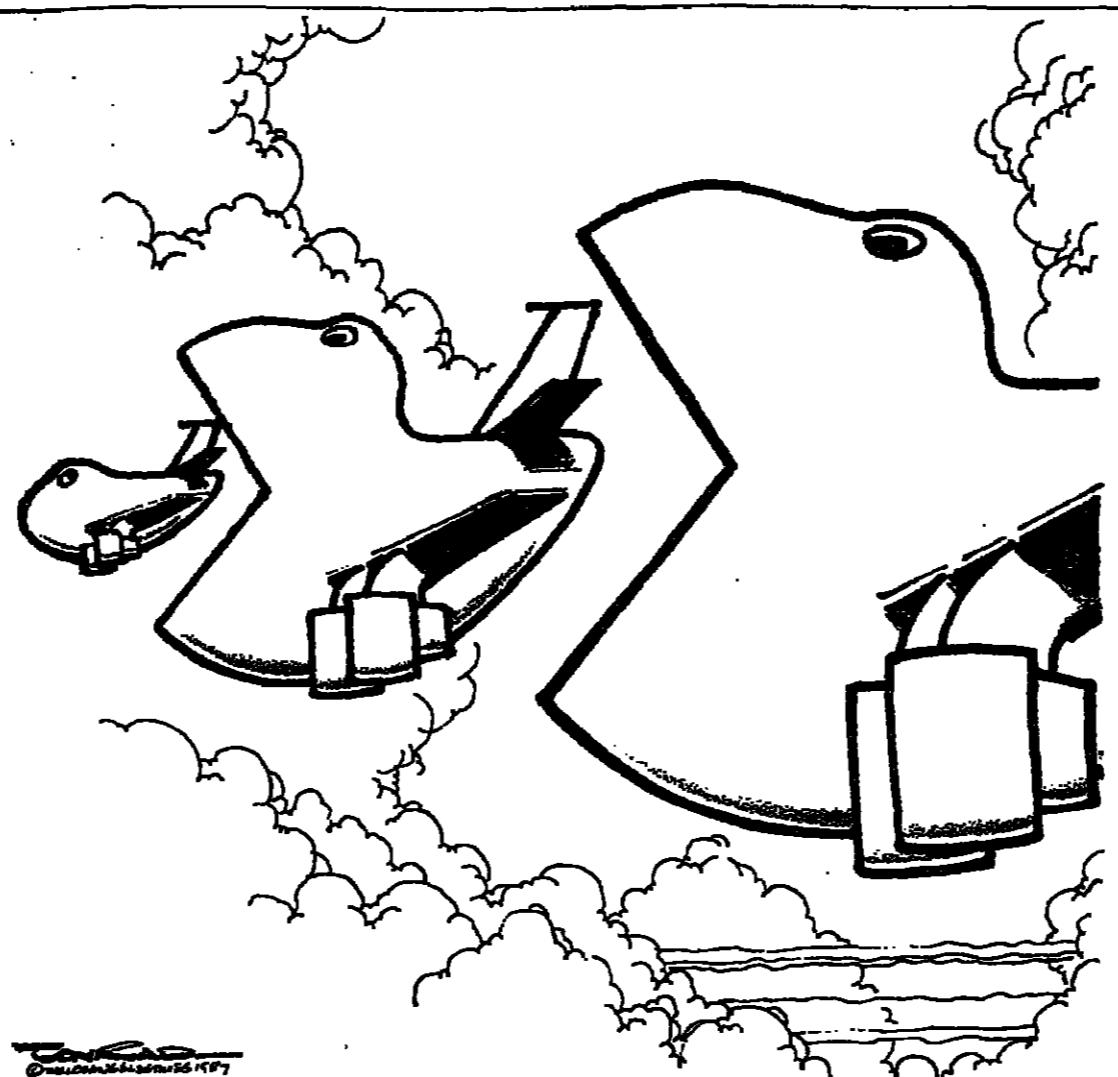
The second will be for the wife of the president to show that she wants her individuality by staying away from all functions except where her absence would be damaging or rude. This would show that she will do her social duty but really does not want to play the publicity game. Eventually, an egalitarian public

That's Sexist Drivel

WHO does Nancy Reagan think she is? According to detractors, she is a power-hungry meddler whose apparently decisive role in ousting chief of staff Donald Regan made the president look like a wimp. That's sexist drivel. Whatever her reasons for wanting Don Regan out, her instincts were proved right by the Tower commission report.

Nancy Reagan is an anti-drug crusader, a savvy political operator and her husband's closest confidante. The issue [may be] whether her enlarged role is a reflection of something more than her husband's forgetfulness and passivity. But if the issue ever does become one of presidential disability, the Constitution provides a mechanism for dealing with the problem.

It is clear that Nancy Reagan not only has opinions but has the steel to make them felt. Just ask Don Regan.

*The Milwaukee Journal**The New York Times***The Pace Is Picking Up***Your editorial "Europe of the Snails" (March 24), published the day before the European Community's 30th anniversary,*

is too pessimistic. The advent of the Single Act to achieve an integrated European economy by 1992, and of qualified majority voting by the EC Council of Ministers on all matters concerning our 320-million-member community, is imminent. This must surely provide the turbulence necessary to increase the snail's pace you criticize.

WILLIAM G. POETON,
Vice-President,
EC Economic and Social Committee,
Brussels.

Just One Spy Per General?

Rafael Eitan, the alleged spymaster in the Pollard case, is more accurately Lieutenant General Rafael Eitan, retired, the former Israeli Army chief of staff.

His removal from that post and his retirement to civilian life came in 1983 after the Kahan Commission Report found him, along with others, indirectly

responsible for the massacre at the Sabra and Chatila refugee camps in 1982. Identifying him more fully provides a better perspective on the Pollard affair. Would a retired general, a former chief of staff, run a "rogue operation" without the knowledge or encouragement of the very top of the Israeli government? And would such a man operate a unit which had only one spy?

J.E. MARSH.
Limassol, Cyprus.

Not Missing in Action

Time after time, in articles referring to the hostages in the Middle East, I read that so-and-so was "captured." As I see this heinous crime, it is "abducted" or "kidnapped." The victims are not soldiers.

JACK NUSBAUM.
Torremolinos, Spain.

What About the World?

After reading A.M. Rosenthal's "One Question for Cuomo: What About the Country?" (Feb. 27), I would add, as a

non-American: What about the world? What I know about Governor Mario Cuomo of New York shows him to be not only a brilliant politician and administrator but also a compassionate man, capable of morality without dogmatism. He has the stuff to make a great president — precisely what America and the world needs.

With President Cuomo, the Third World would have had a fair deal.

JULIO AMORIN.
Maroua, Cameroon.

On America's Death Rows

Some Americans may feel perplexed that Amnesty International, as you reported on Feb. 20, is drawing attention to the 1,836 inmates on U.S. death rows at the end of 1986. Why, when so many atrocities are committed in other countries on so large a scale? Perhaps it is because the United States is where the individual is best protected against the state by legal guarantees and vociferous pressure groups, and where freedom of speech ensures that sooner or later so much comes to light.

Air Today, Gone Tomorrow, But It's Always Roy Cooper

By Ben Kamin

CLEVELAND — Not long ago, I presented myself to an agent at the New York Air counter. This was hardly unusual, since my plane ticket was tucked inside a bright-red folder marked "New York Air." But I was in a tentative mood, so I asked, "Is this New York Air?" The ticket agent eyed me with suspicion. What planet did I live

MEANWHILE

on? Solemnly he answered, "Sir, there is no such thing as New York Air." My caution had not been misplaced.

I had heard something about mergers and takeovers. But the gravity with which the agent had vaporized New York Air concerned me. "Is there," I asked, "a New York City?" He allowed there was.

In time, I boarded a Continental Airlines flight while holding a New York Air ticket from which protruded a boarding pass marked People Express. Inside the generic jet, I was handed a red bag marked "Flying Noah" with New York Air napkins and salt packets from Texas Air. The chessboard was Swiss. Curious to know who it was I was flying with, I awaited the captain's announcements.

"Good afternoon, ladies and gentlemen. This is your captain, Roy Cooper." (For as long as I can remember, the pilot on domestic flights is always Roy Cooper.) "We want to welcome you aboard our Big Apple Flight 397 to New York."

It is the late 1980s in the United States, which produced the Wright brothers, Amelia Earhart and Mileage

Plus. You used to get dressed up, board a plane with delightful nervousness and be asked if this was your first time by an interested, or at least animated, flight attendant. Now even the attendants seem uncertain about the identity of their employers. Seasoned travelers know not to ask a living soul which plane is going to turn up in what landing space. They consult the monitor.

Not long ago, for example, I was waiting for a colleague at the airport. TWA Flight 612 was about to land. I began to watch for a TWA jet among the landings. American, United, two private Cessnas, Ozark, Midway USAir. An announcement came: "Ladies and gentlemen, Flight 612 has landed and will appear at the gate momentarily." But I had not seen a TWA airliner make an approach.

"Excuse me," I said to an agent at the ticket counter, "is there anywhere else the planes land?"

"No, sir," he replied cheerfully. "You can see it all from these windows."

"So where is Flight 612?"

He did not look up: "612 is already here, sir. Passengers are disembarking."

Baffled, I returned to the window. There at the gate was TWA Flight 612. The plane was green, and marked "Ozark." Silly me, expecting aviation verisimilitude. Why, TWA and Ozark had mated, and I never even knew! There had not even been a monitor overhead to give me the news.

At this writing, of course, everything may be changing again.

*The New York Times***LETTERS TO THE EDITOR****Literacy Isn't So Simple**

The editorial "For Rebirth at UNESCO" (March 18) sees a very rudimentary role for UNESCO. Literacy campaigns have long been an obvious development activity of the organization. One lesson has been the need for a sector-wide approach within a broad strategy of institutional development related to a country's assistance requirements.

Sustained literacy requires increased motivation of people for its practical use. News material, textbooks and personal and professional information in printed form are needed for the creation of a reading environment, with a printing and publishing sector.

G. NAESSELUND.
Paris.

Starting the Day With Dan

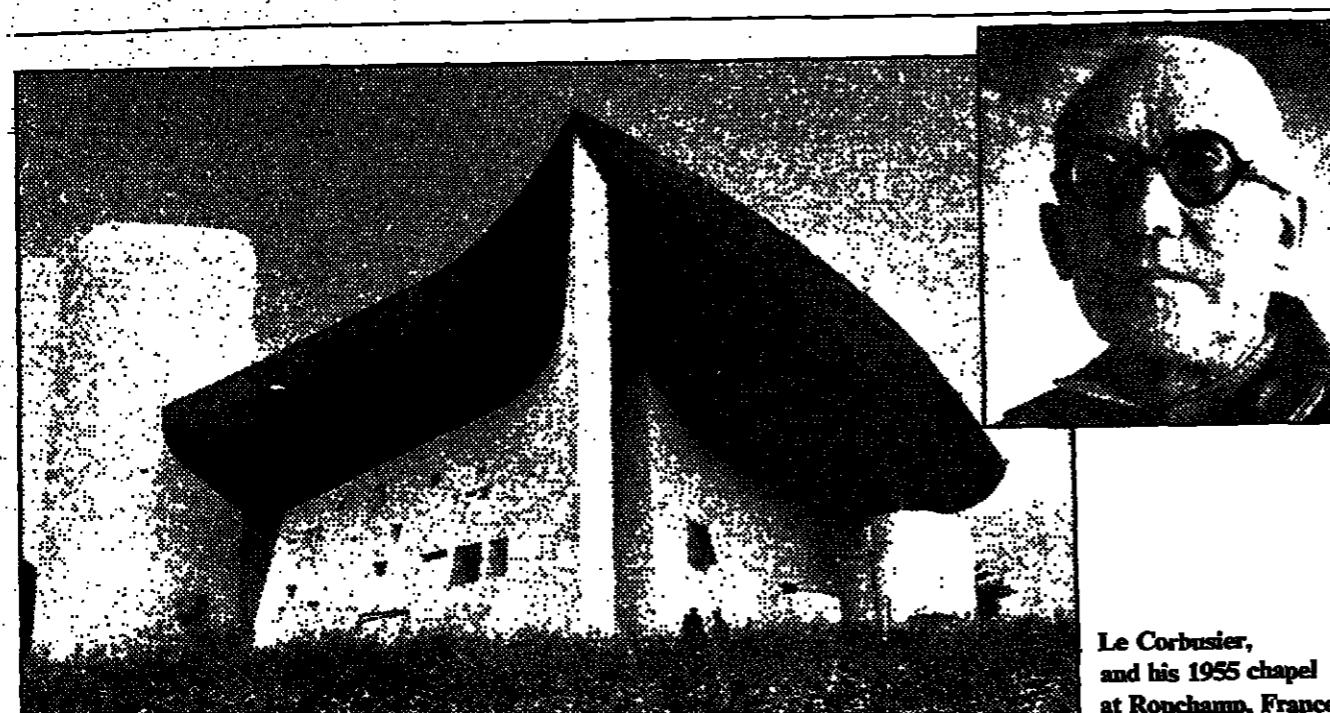
Thanks are due to France's Canal Plus for bringing us the daily rebroadcast of Dan Rather's "CBS Evening News." It's a great way to start the day.

THEODORE R. FRONTENAC.
Montrejeau, France.

Vapors on the Vaporetto

I agree with William S. Crain (*Letters*, Feb. 17) about how irritating cigarette smoke is to nonsmokers. The other day on the vaporetto a man left a lit cigar on the railing next to me. As soon as he went into the cabin I cracked it into the lagoon: instant sweet revenge.

ANDREA SIPPEL.
Venice.

ARTS / LEISURE

Le Corbusier,
and his 1955 chapel
at Ronchamp, France.

Le Corbusier the MasterbuilderBy Paul Goldberger
New York Times Service

LONDON — Le Corbusier never built a building in England. Yet his influence in this country far exceeded that in France, where he lived for most of his adult life. Far more than any English architect, Le Corbusier shaped postwar English architecture. So it is fitting that in this centennial year of his birth it is here that the most impressive celebration is being mounted.

The homage comes in the form of an immense exhibition that opened this month, called "Le Corbusier: Architect of the Century." It consists of a vast array of original drawings and sketches, vintage and recent photographs, plans and models, sprawled over several floors of the Hayward Gallery. The Hayward, a brutalist concrete museum on the south bank of the Thames, is itself a demonstration of the great sway Le Corbusier's ideas held over the English.

The exhibition, which was organized by the Arts Council of Great Britain in cooperation with the Fondation Le Corbusier in Paris, ranges over the architect's entire career, from its beginnings in Switzerland around 1907, to works still under construction at the time of his death in 1965.

Le Corbusier was one of the greatest architects of all time, and also one of the most problematic thinkers. The exhibition tries hard to play to the architect's strengths, but it becomes not a little defensive when the subject turns to Le Corbusier's

Achilles' heel; his theories about the city and the designs he made in the late 1920s and early 1930s for the replacement of vast sections of Paris with a new city of tall slabs set amid open space and wide motorways. That is a model that was never realized as Le Corbusier envisioned it, of course — but the theme of virtually every urban renewal project in every American downtown, as the messy and complex fabric of the traditional city gave way to a new landscape of towers, open space and freeways.

What does the exhibition make of this? A careful reading of Le Corbusier's urban projects should have revealed the disastrous implications of some of his ideas and the farsighted realism of others, pronounces the wall text. It was our fault then, not Le Corbusier's? We can hardly hold Le Corbusier responsible for every wretched tower that replaced a worthy old neighborhood. But he can hardly be let off the hook so easily, either. For his urban plans revealed a deep hatred of the traditional, dense, heterogeneous city, a determination to replace what he called "the present brutality, squalor, stupidity" with something pure, ordered and rational. And his thinking set the tone for, and gave justification to, a vast amount of work produced by lesser talents.

It is with relief, then, that one turns toward the sections of the exhibition that deal with Le Corbusier's individual buildings and not with his urban theories. For here

the architect and the exhibition are on more comfortable ground, presenting material that seems, as this century draws toward its close, only to grow in stature. The first section, entitled "Six Houses," includes several houses that are unquestionably among the great works of the century: the Villa Stein and the Villa Savoie, the monuments of Le Corbusier's purist, white architecture period from the late 1920s, and the Maisons Jacquot, the twin houses from the early 1930s of rough-hewn masonry and vaulted concrete ceilings that inspired a generation of "brutalist" buildings in England and elsewhere.

This section opens, however, with a surprise, a little-known house that Le Corbusier designed in 1907 in Switzerland. It was provincial in tone, with a vague air of the Arts and Crafts movement to it, and it is almost sweet. It is only with the next house, the Villa Schwob of 1917, that the great power we associate with Le Corbusier begins to assert itself.

We see that all the more in the drawings, which often show the evolution of familiar projects from initial concepts to completed versions. The exhibition is rich in such documentation, not only of smaller projects — some remarkable early drawings of the Villa Stein show us that this house, with its celebrated asymmetrical facade, actually began as a symmetrical composition — but also of larger and more monumental architecture. If the section entitled "The Architect as Artist" is

a bit tiresome — Le Corbusier was a good painter, but the only effect of seeing canvas after canvas is to remind us that he was not Léger — the section called "The Sacred and the Profane for Myths" makes up for it. Here are the chapel at Ronchamp, France, of 1955, and the monastery of La Tourette, France, of 1959, two of the most moving and powerful religious structures of our time. Here, on Ronchamp, that highly expressionistic, romantic form that seemed in so many ways to break away from the rigor and harshness of Le Corbusier's earlier work, the anonymous wall text suddenly becomes wise: "Purists complain about the ambiguity of the structural expression. Puritans object to its sensuality. Ronchamp simply overrides these criticisms with its effortless grace."

There could be no better final word, not only for this building but for all of Le Corbusier's career. His architecture was a profound exploration of form and space and light, as deep and mystical, in its way, as any religious quest. His utopian polemics about modern architecture mean less and less as time goes on, and we are left just with his buildings. They were masterworks of this century, and at his centennial, the Hayward Gallery has done them honor.

The exhibition will remain on view through June 6. It is accompanied by an exceptionally handsome and thorough catalogue that follows the thematic organization of the exhibition.

The Can Man's SynthesisBy Mike Zwerin
International Herald Tribune

PARIS — Irmin Schmidt, a founding father of the group Can and the synthesizer-oriented "Kraut Rock" school which emerged with it, says he's fed up with synths: "I'm quite happy to be playing my Steinway again. I've always been a last 19th century man at heart."

His new album "Musk At Dusk" journeys from tango to reggae, to Ziggy Stardust, a touch of salsa, of Mahler, a Viennese waltz, through serial patches by way of Dixieland and cool jazz, the Broadway song form. Erik Satie, a gypsy violin solo and a gamelan orchestra. This, he insists, has nothing to do with eclecticism:

"It's just an enlarged view of culture. We now have at our disposal the entire musical spectrum. The folk music of Bali is only one element of planetary sound. Everything is really part of the same tradition."

He took avant-garde music workshops with Earle Brown, Karlheinz Stockhausen and John Cage in the early 1960s in his native Cologne. He studied conducting at the Mozarteum in Salzburg and was then appointed conductor at the theater in Aachen in 1965. He gave piano recitals. The following year, in New York, competing in the Dimitri Mitropoulos competition for young conductors, he heard La Monte Young, the Velvet Underground, the Mothers of Invention and Jimi Hendrix and got

totally messed up."

"I forgot about the competition," says Schmidt. "I hung out with the Warhol crowd in the Chelsea Sea Hotel instead of going to rehearsals. I spent nights in Terry Riley's loft on the Bowery, we played his stuff together. I left New York thinking I must find something different to do."

Irmin Schmidt was still described as a

"Kapellmeister" in the Cologne phone book when he formed Can in 1968 and discovered the joys and hazards of "instant composing." This was not improvisation, which has jazz connotations, implying a tune or a structure. Can was "totally unplanned; we'd come out on stage without an arrangement, style or even a tonality in mind. Sometimes we'd start in three different keys. Whoever had the strongest idea took the lead. Everybody tried to guess what the next guy was going to play. It was like a school for telepathy. Endings could be disastrous."

The German rock groups Tangerine Dream and Kraftwerk were still playing guitars, electric or acoustic pianos, flutes and violins — the synthesizer as a performing instrument was just being born.

"At the time there was only the Moog," Schmidt recalls. "You had to patch it to change textures and to wear headphones to hear what the hell the thing was doing. I used to watch the synthesizer on stage wildly plugging wires into holes while the rest of the band waited for him to find 'the sound.' Then he'd smile. He'd found it — 'gloob gloob gloob.' The group would be quite happy to see him put his headphones back on and look for the next sound so they could go on playing music. That was not what I was after."

With the help of an engineer, Schmidt developed "this legendary" Alpha 77, a sort of custom-

made synthesizer that combined a cheap Farfisa organ keyboard and an electronic box with oscillators, modulators and so on. You could change the sound with a switch. It made synthesizer improvising possible, but you needed a pre-amplifier and it was easily overloaded. The organ sound had to be pushed to begin with and was already overloaded. The distortion was wonderful. My sound could go to quite an extent. A lot of keyboardists tried to imitate me but they didn't know what the secret was loadable."

Although they had their share of hits single and gold albums, the legend of Can grew from live performances — from real-time tension and public risk-taking. Many New Wave people paid tribute to Can's influence. Joy Division said it, Johnny Lydon often mentioned it,

even David Bowie has acknowledged it.

After 10 years, the members of Can

West Germany: Reluctant Giant

IN THE NEWS

Jan. 1: Birthday Boycott

The 750th anniversary of Berlin begins amid Allied concern over the year's scheduled celebrations. The United States, Britain and France boycott East Germany's ceremony and express concern about a possible visit by West Berlin's mayor to East Berlin on Oct. 23.

Jan. 20: Beirut Kidnapping Linked to Terror Suspect

The government announces that the kidnapping of two West Germans in Beirut is linked to the case of a suspected Lebanese terrorist arrested at the Frankfurt airport on Jan. 13. Reports say that the pro-Iranian Shiite group Hezbollah had demanded the release of Mohammed Ali Hammoud, sought by the United States for alleged participation in the hijacking in 1985 of a Trans World Airlines jet and the murder of an American passenger.

Jan. 25: Kohl Wins Again

Chancellor Helmut Kohl's center-right coalition wins a parliamentary majority, renewing its mandate for four years. But Mr. Kohl's Christian Democrats and their Bavarian sister party, the Christian Social Union, made their weakest showing since 1949.

Feb. 22: Bonn Responds To Group of Seven

At the Group of Seven meeting in Paris, Bonn promises to increase a planned \$5.5 billion tax cut, scheduled for Jan. 1, 1988, in order to stimulate demand by West German consumers and businesses for imports.

March 18: Kohl Makes Opening to Soviets

In a speech to Parliament outlining the program of his center-right coalition for the next four years, Chancellor Helmut Kohl calls for closer ties with the Soviet Union. The West German diplomatic opening toward the Soviet Union includes seeking increased economic ties and more interchanges with East Germany.

March 23: Brandt Resigns

Willy Brandt, former West German chancellor, resigns as chairman of the opposition Social Democratic Party, following dissent over his decision to appoint a 30-year-old Greek woman as the party's spokeswoman.

March 24: Bonn Bombing

A bomb explodes outside a British officers' club in Bonn injuring 31 persons. The explosion came a few hours after Prime Minister Margaret Thatcher had concluded talks with Mr. Kohl.

IN THIS REPORT

French Connection 8

Union is no longer an exaggerated term to describe the relationship between France and West Germany, but the French are more aware of this than are the West Germans.

Debating the Past 9

After a history of traumatic experiences, West Germans turn to their historians to provide a sense of where they come from — and where they are going.

Merger Mania 10

The temptation to build corporate empires seems to be stirring again after a long postwar dormancy.

Washington View 12

Washington's relationship with Bonn will not be totally trouble-free, but differences are susceptible to compromise.

A Sporting War 16

While Adidas and Puma battle for position, West Germany's sports shoe industry faces formidable challenges abroad.



Leadership at Issue



EC's Complaint: High-Tech Bonn Won't Share

By Peter Maass

BRUSSELS — Heinz Reisenhuber, the West German minister for research and technology, recently tried to ease concerns in the European Community over Bonn's meager support for EC research programs. At a meeting of community ministers, Mr. Reisenhuber reportedly assured his colleagues that West Germany was willing to share its technological know-how with other EC nations.

However, the assurances backfired. Instead of restoring confidence in Bonn's *communautaire* spirit, the speech was apparently interpreted as being patronizing and condescending toward the community's smaller and poorer members, who are not as technologically advanced.

"It was the most arrogant thing I've ever heard come from a German," commented one EC official who attended the closed-door meeting.

When it comes to cooperative research, West Germany is unable to please anyone these days. The EC's strongest member, in economic terms, is under attack for being a reluctant and sometimes arrogant partner in research programs billed as the linchpin of sharpening the community's standing in world markets.

Unlike many EC quarsels, this controversy touches on a fundamental aspect of the community: the readiness of a member state to share its resources with others, so that all can benefit. Without this cooperative spirit, the theory goes, the community will fall far short of its lofty aims.

A certain duality exists in gauging the participation of West Germany in EC research programs. On the one hand, West German companies and universities are said to be anxious to join in some EC programs. But on the other hand, the Bonn government does little to encourage this cooperative attitude — and may even discourage it.

As a sign of how bad things have become, EC Commission President Jacques Delors recently voiced deep concern over an apparent lack of German support for industrial cooperation. EC Industry Commissioner Karl-Heinz Narjes has also written several letters to authorities in Bonn, pleading for more backing of joint research, sources say.

"He felt that German organizations are not participating to the extent that they could, particularly in Esprit," one commission official said. "There is a problem." Esprit is the largest EC research program, focusing on information technology.

From the West German point of view, though, the problem is that EC research programs, which cost about 1 billion European Currency Units (\$877 million) a year, may pay for research already being subsidized by national authorities. Also, German officials say that some EC programs simply pay for research that companies were doing anyway.

And on an ideological level, Bonn appears hostile to letting the EC influence the agenda for industrial research. "Industry has to decide for itself what research needs to be done," said a West German diplomat in Brussels. "Governments should only play a supplementary role."

Of course, West Germany is not the only EC member with doubts about the value of community research programs. Britain and France, along with West Germany, have fought the EC Commission's call for 7.7 billion ECUs to be spent on joint research in the next five years.

Nonetheless, the attention in the community has focused on West Germany, mainly because Bonn has so much to offer but is alarmingly reluctant to put its weight behind cooperative research. In addition, Bonn's underlying stance goes against the EC ethic of pooling resources, an ethic that German authorities say they support.

"We are seeing a return to nationalistic viewpoints in research, and the

Continued on page 10

New Pressures Blur Image of Solidity

By Henry Tanner

BONN — The citizens in the streets, restaurants and stores of West German cities exude an air of affluence

— good clothes, rich food, expensive cars — unmatched by any of their neighbors except perhaps the Swiss. Helmut Kohl, the chancellor, big and smiling in his public appearances, is the picture of implacable political solidity. The concert halls and theaters of Frankfurt and Berlin are sold out every night and art exhibits crowded. The only performers that have trouble getting heard are the politicians.

The questions and issues facing the Federal Republic in the spring of 1987 are neither obvious nor easily defined. There is no central theme that would inspire a great national debate. And if there are any demonstrations of public emotion, they are likely to be local marches of protesting farmers or metalworkers.

For a government that has just won its second successive national election — and is virtually assured of winning the next one, four years hence — Mr. Kohl's center-right coalition is having a difficult time. The chancellor's capacity for leadership is being questioned by newspapers that are his staunch supporters, such as the Frankfurter Allgemeine Zeitung. He is described by fellow

politicians as a master tactician concerned with consolidating his power in his party and assuring the management of government affairs but lacking the vision of a statesman.

Critics say that the new government program, which was pieced together during several weeks of often fractious negotiations between his Christian Democratic Union, its Bavarian sister party led by Franz Josef Strauss and the Free Democrats, reflects the lowest common denominator and cannot possibly be a platform for effective action in the field of social and economic policy.

There is a perception that the central power in Bonn is being eroded. "A whiff of ungovernability is wafting across the country," wrote Dieter Schröder, the editor in chief of the respected Süddeutsche Zeitung.

He cited the decline of the two dominant parties, the Christian Democrats and the Social Democrats, and the way economic pressure groups and powerful state leaders, like Mr. Strauss and in Baden-Württemberg, Lothar Späth, are exploiting the federalist structure of the country to have things their way.

The three-party system, one of the main pillars of political stability since the war, may

have come to an end with the January elections. It is making room for a four-party system that may eventually become a multiparty system.

The Greens, until recently a loose alliance of militants of many kinds operating on the fringes of the political scene, are now the established fourth party. Clearly, they are here to stay. They won just over 8 percent of the vote in January and may do better next time.

This means the end of the cozy arrangement under which the Christian Democrats and the Social Democrats, each usually commanding 40 percent or more of the electorate, could be trusted to take turns in office as their election scores shifted within narrow margins. The Free Democrats, the much smaller third party, threw their weight alternatively to one or the other. In January, the Christian Democrats and the Social Democrats both had their worst results in decades.

The Social Democrats are going through one of their deepest crises ever. They are unlikely to recover for several years. A party official conceded that their objective now is not to win the next election, but the one after that, probably in 1994. "They are in danger of becoming a 30-percent party," said an editor.

Their crisis has many reasons beyond the rise of the Greens. They have not been able to resolve a bitter internal conflict over the basic course that a leftist working-class party should steer in the "middle" of Europe, in the nuclear age and at a time of rapid change in a modern industrial society. The abrupt exit of Willy Brandt, the last of the old generation of headstrong, historical figures, has been a crowning blow. His successor as party president, Hans-Jochen Vogel, is a caretaker. The succession struggle remains unresolved.

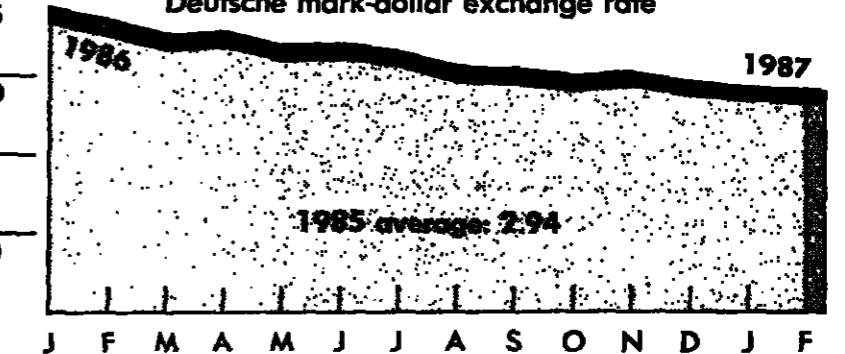
The national leadership of the established parties is being challenged also in the provinces. Five of the republic's 10 Länder will elect new state governments during the next five months. In each of them the same party has been in power since the war, the Social Democrats in three, the Christian Democrats in the others. Now, a changing of the guard is possible in three of the five. The Social Democrats are in difficulty in Hesse and Hamburg and the Christian Democrats in Schleswig-Holstein, and journalists specializing in regional politics say these races are too close to be called now.

In question is the general rule that power in the federal states remains in the same hands even when control over the central

Continued on page 8

The Steep Exchange Slope

Deutsche mark-dollar exchange rate



The road chosen by Chancellor Helmut Kohl's coalition will have an effect throughout Western Europe.

Economy Is Caught in Social Net

By Ferdinand Protzman

FRANKFURT — The West German economy is at a crossroads. The path of moderate growth based on tightly checked inflation, which the government has followed since 1982, has reached a point where efforts to promote further expansion begin to conflict with the political realities of a welfare state.

With economic growth currently faltering, steps to revive the economy must be measured against their impact on the nation's vast social net. The road chosen by Chancellor Helmut Kohl's recently re-elected, center-right coalition government will have an effect throughout Western Europe, where West Germany's economy is the strongest.

West Germany's gross national product, the broadest measure of economic performance, registered no growth in the final quarter of 1986, according to provisional figures released recently by the Federal Statistics Office. Rising domestic demand compensated for lower exports, but was insufficient to spark growth. For the year, GNP grew by 2.4 percent, compared with 2.5 percent in 1985.

The scenario has not brightened much thus far in 1987. The Economics Ministry says first quarter GNP may be relatively weak, while private economists are predicting stagnation or possibly contraction. The government's forecast of 2.5 percent GNP growth for the year looks increasingly unachievable, and many experts have cut their predictions to he-

tween 1 percent and 2 percent growth, from original estimates of 3 percent.

Few experts dispute the need for economic stimulation, although they are divided on how to achieve it. The government is betting on strong domestic demand to counter a falloff in exports caused by the dollar's steep drop against the Deutsche mark. Some private economists say more significant structural changes, such as genuine tax reform or changes in the social welfare system, may be necessary.

Any moves in the direction of limiting the government's role in funding the social net will face stiff opposition from special interests, such as agricultural and industrial groups, many of which rely on federal subsidies. Attempts to alter pension funding or other social systems risk alienating broad sections of society, and could have severe political consequences.

Agriculture Minister Ignaz Kiechle summarized the situation in a recent interview, when he said, "Simply reducing agricultural subsidies does not take into account the need for social understanding."

For the government, taking the needs of various groups into account, while promoting growth, is likely to be very difficult, given current economic conditions.

Even experts forecasting better-than-expected growth for 1987, are hardly optimistic.

"I think we'll see 3 percent GNP growth in 1987, for all the wrong reasons," said Klaus-Werner Schatz of the Institute for Global Economy in Kiel, one of the nation's leading economic research groups. "The growth will come from much higher domestic demand fueled by a rapid expansion of the money

supply. Policies of excessive or uncontrolled money supply growth, which the major industrial nations appear to be following, could lead to recession by the end of 1988."

Such a prediction, which would have been scoffed at by government policymakers a few months ago, is indicative of the changing mood in West Germany. The optimism that accompanied growth without inflation is giving way to concern about the future and social unrest by groups who feel threatened.

As recently as late 1986, the mood was brighter. Mr. Kohl's government had followed, with some success, a policy of steady economic growth based on price stability and closely controlled monetary expansion. The chancellor's Christian Democratic Union made economics the cornerstone of its election campaign, plastering the country with posters showing a thumbs-up sign and the words "Carry on, Germany!"

But economists say much of the past success came more from simple good fortune than the government's policies. West Germany had deflation of 0.2 percent in 1986 and inflation of 2.2 percent in 1985. But this was due largely to the collapse of global crude oil prices during 1986. Most analysts predict inflation of about 2 percent in 1987.

The decline in inflation, combined with mild wage increases over the past few years and a cut in personal income taxes that went into effect in January 1986,

Continued on page 11

Pressures Blur Image Of Solidity

Continued from page 7

government changes in Bonn. This rule, in addition to the three-party system, has been a major pillar of political stability.

The first test will be in Hesse, which votes on Sunday. The local Social Democrats and Greens had formed the country's first red-green coalition and intend to renew it.

Economically, "1987 will be a year of great difficulty," according to an economist, reflecting the judgment of many of his colleagues. The economy is resilient and has great reserves of strength but economic growth will remain below expectations and unemployment, insufficiently slowed down by the recent tax cuts, is likely to grow again, he said.

Officials in Bonn speak with some vehemence of what they see as American and West European demands that West Germany "take the responsibility, single-handedly, for turning the world economy around."

They feel "bewigged by these pressures," one official said.

A leading Christian Democrat expressed the intensity of emotions that this quarrel has touched off. West Germany, he said, will not give in to the American demands for greater growth because these demands make no sense.

"Our capabilities are limited; even if we were able to increase growth by, say, one percent, which we are not, it would have no real impact on the American economy." The government has forecast a growth rate of 2.5 percent, which is widely regarded as overly optimistic.

As for European Community demands for lower farm prices, "they are a poisonous prescription which would kill the German family farm," he said. Reflecting the depth of the contrast between the opposing perceptions, a foreign diplomat in Bonn referred to German family farms as "the most sacred of their sacred cows."

Another diplomat argued that West German politicians and business people had "become so obsessively concerned with stability that they are afraid of growth and prefer high unemployment, which they can afford because their welfare net is highly developed."

"There are tensions, but we do not want a trade war, which would weigh more heavily on our relations with our allies than any other conceivable issue, including disagreement on nuclear policy," a German official said. "A trade war would stir the emotions of West Germans far more than a hundred warheads more or less," he added.

Opposites — relations with the Soviet Union and Eastern Europe — is the bright spot in the current picture as it is seen from Bonn. The fact that a reduction of American and Soviet



West Germany's affluent consumers in a year of "difficulty."

nuclear arsenals in Europe is seriously negotiated, is a central concern.

The coalition parties can take credit for having stood firm in 1983, when the Pershing II and cruise missiles, which are now the Western bargaining chips, were deployed despite opposition from the Social Democrats and the peace movement.

But the discussion on the subject is strangely muted. It does not reflect the upsetting effect that the removal of the American missiles could have on the country's position in the alliance. The anti-nuclear militants who opposed the deployment of these weapons are not publicly jubilant over their removal, and government officials seem reluctant to take credit for this reason.

The danger of being left to face the superiority of Soviet conventional forces without the protection of the American nuclear shield is being discussed in great technical detail by specialists but does not appear to have impressed itself, as yet, on average people. Some, on the political right, worry about a possible unraveling of the alliance — the "uncoupling" of the links between Europe and the United States that deployment of the Pershings was supposed to prevent in the first place. But this seems to be a minority view. "For once," said a conservative newspaper editor, "the Germans are not worried enough."

Foreign Minister Hans-Dietrich Genscher, the leader of the Free Democrats, was the first among European leaders to argue that the Europeans should respond quickly to the Soviet initiatives and engage Mikhail Gorbachev in negotiations. His repeated public statements have been well ahead of the far more reserved reaction of British and French leaders.

Under Mr. Genscher's influence, the West German strategy is to probe Soviet intentions beyond nuclear disarmament and to test whether a new period of general East-West détente has become possible. As officials in Bonn see it, the Soviet Union is 10 or more years behind the West in industrial technology and continues to lose ground. The new Soviet leaders, this thinking goes, want to reverse the trend and need better relations with the West for this reason.

"The real test will come when we ask the Soviets for concessions on conventional forces," an official said. "This, and their attitudes on political issues, will show whether the Soviets are ready for a new policy of mutual restraint and nonviolence or whether they are bargaining only for a temporary and limited advantage," he added.

Whether the thaw is temporary or permanent, Bonn is determined to exploit it. *Oppolitik* has entered a new, highly active phase. President Richard Weizsäcker is due to visit Moscow, perhaps as early as May. Both Mr. Genscher and Eduard Shevardnadze, the Soviet foreign minister, plan mutual visits.

In spite of the misgivings of the Western Big Three, the mayor of West Berlin, Eberhard Diepgen, is set to visit East Berlin to participate in a state ceremony there celebrating the 750th anniversary of the city and Erich Honecker, the East German leader, has been invited to a comparable celebration in the western part of the city.

HENRY TANNER is on the staff of the International Herald Tribune.

Defense Thinking Is a Weak Link In the Strong French Connection

By Peter Scholl-Latour

HAMBURG — Union is no longer an exaggerated term to describe the relationship between France and West Germany — so deeply interwoven have the bureaucracies of the two governments become and so close are the economic and personal ties at all levels. The full reality of this state of affairs, strangely, is less fully recognized by the West Germans than by the French, who are more deeply aware that their well-being is tied to the future of Germany.

For the West Germans, it is the relationship with the United States that evokes strong emotions — both for and against — and that dominates popular expectations for the future

POINT OF VIEW

much more than the alliance with France, which cannot match the weight of the superpowers. In the Protestant northern part of the Federal Republic especially, there is a tendency to dismiss the French partner as a *quantité négligeable*, and it is remarkable, therefore, that it is former Chancellor Helmut Schmidt, from Hamburg, with his understanding of coming strategic transformations, who has become one of the foremost advocates of a self-reliant French-German defense.

The big strategic options of the two governments remain far apart in spite of the rapprochement on all other levels. It was not until François Mitterrand became president that France declared itself ready to take part in the forward defense of the Federal Republic in case of war. He regards the territory between the Rhine and Elbe as an indispensable part of France's own defensive system and no longer as a military *glacis*. And he introduced this new concept into French military thinking at a time when the West Germans were focusing their strategic fears and interests on issues over which the superpowers alone have control. President Ronald Reagan's Strategic Defense Initiative became a major theme of internal polemics in West Germany, while the French proposal for European scientific cooperation in Eureka received only marginal attention.

There has been a psychological reassessment since the early 1960s, when most West Germans were unconditionally pro-American. Today, the prevailing attitude is one of distance and even suspicion, even though certain hysterical excesses of anti-Americanism must not be overestimated. It is significant that so competent a politician as Foreign Minister Hans-Dietrich Genscher, setting a different tone from the Christian Democrats with whom he is allied, has made himself one of the most effective proponents of close cooperation with Paris.

There are striking differences between the French and German reactions to the relationship with the United States. West German public opinion was slow to discover the limitations on its sovereignty that date from the

defeat of 1945. While General de Gaulle, who engaged in lofty and sometimes excessive solo flights, created his own nuclear strike force and thus laid the foundation for a relatively relaxed French relationship with the American superpower, the West Germans are still chafing under their diplomatic and strategic dependence: They are asking not for their own nuclear weapons but, understandably, for the right to participate as full partners in any decision involving the use of these weapons in Europe.

This may be responsible for the contrasting French and German attitudes concerning nuclear power; for instance, in the case of the French power plant of Cattenom near the border in Lorraine. It may be that the negotiations on nuclear matters between the superpowers, whose secret is never completely lifted, and the fear felt by many Germans of being drawn into a nuclear inferno without being consulted touched off the psychological reactions in the Federal Republic that are so difficult for foreigners to understand. The rise of the Greens and the ecologist and Alternative movements has yet to be fully explained. It may be that beneath this romantic pacifism there are the first signs of a rise of neo-nationalist trends.

A majority of politicians from the Christian Democrats to the Greens regard the new Soviet *glasnost* with skepticism as well as hope. However, beneath this mixed reaction lies a profound change: The time is past when everything connected with the Soviet system was regarded as devilish. The willingness to coexist with the Soviet security system is not at all confined to the parties of the left.

Since Konrad Adenauer set the Federal Republic so firmly on the Western track, leading to its integration in the Atlantic alliance and the European Community, it is only natural, as the years pass, that another concept is emerging: The term "Middle Europe" is gaining currency again.

Interest in the history of Prussia and Saxony is being revived on television, the 750th anniversary of the founding of Berlin is being celebrated — all this reminds the Germans of their central place in Europe. As a result, there is a timid revival of traditional national consciousness, which is gradually superseding the postwar tendency to disavow history. Even though the political and cultural intolerance and economic backwardness of the Soviet system remain repugnant, the initiatives of Mikhail Gorbachev have stirred a new fascination with Russia. Détente, including nuclear disarmament in Europe, is regarded by many Germans as a milestone on the road to the rapprochement between the two German states

that is already well advanced on the cultural level.

The French, as continental allies, have more understanding than the British and Americans for these German attitudes and geographical pressures. Paris is conscious of the difficulties that are in the offing for the French-German alliance. Even if it is not in Moscow's interest to nourish any West German illusions about the possibility of reunification of the two states, the Soviet Union may use its influence in East Berlin to induce the Bonn government and political parties to make concessions. On the Rhine, there is a growing suspicion that West and East Germany both are pawns in the big chess game of the superpowers.

If the nuclear zero option, which Bonn had originally demanded and is now hypocritically praising, is adopted, it will make a basic re-thinking of the defense concepts of the Atlantic alliance inevitable. The Reykjavik decisions raise questions about the American nuclear umbrella, and an eventual drastic reduction of the American military presence in Europe can not be excluded.

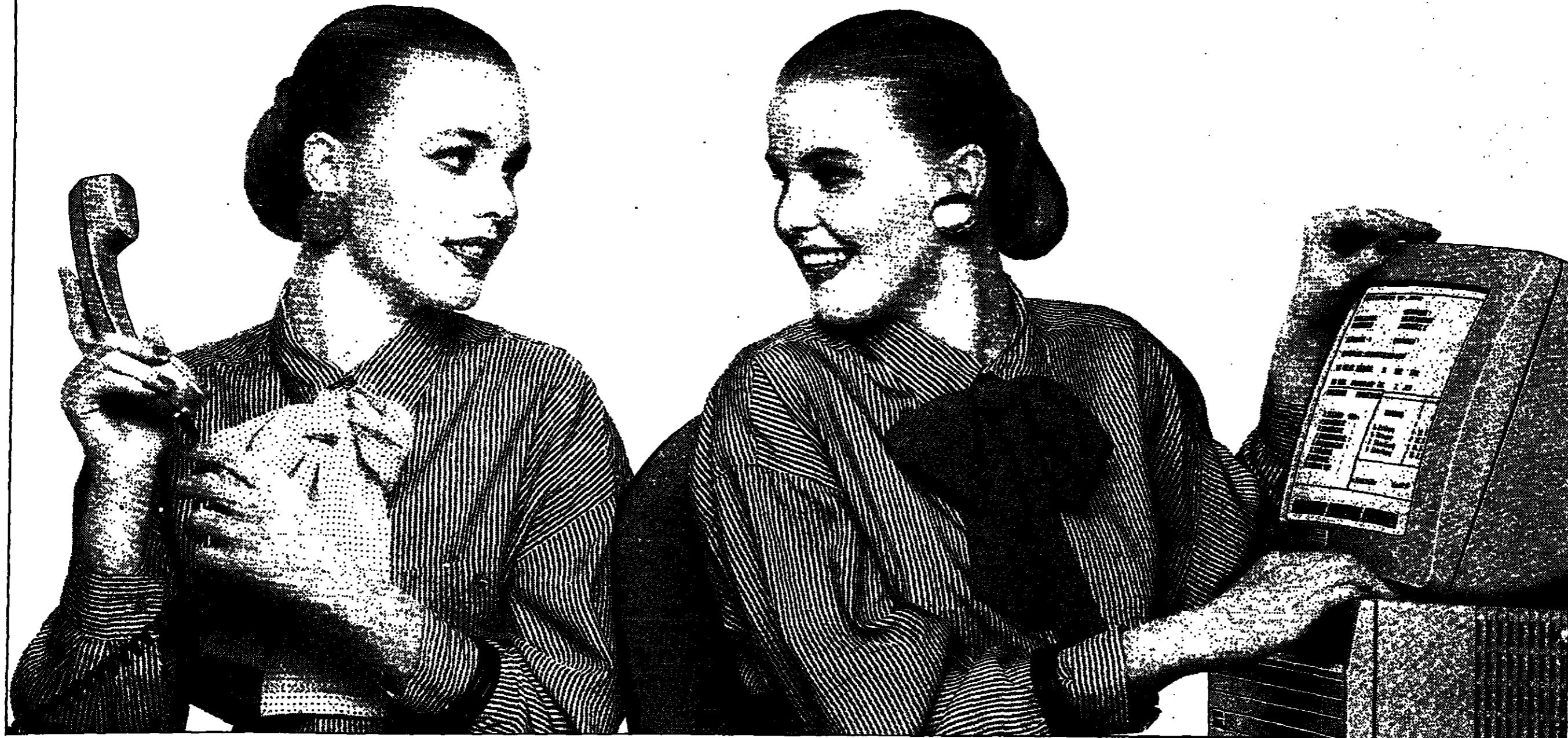
But the logical consequence that Mr. Schmidt wants to draw from this situation — namely, the creation of a self-reliant, integrated Franco-German defense potential — will not be drawn very long.

All declarations to the contrary notwithstanding, it is clear that Washington would be against any tendency of the European pillar of the alliance to become more independent. And the Soviet Union would, with all the means at its disposal, oppose the strategic consolidation of Western Europe, which, in Moscow's analysis, could lead to a new German hegemony over the continent.

Between the reality of European unity, which, hopefully, is irreversible, and the perspective of a rapprochement of the two German states, which could be used by the Soviet Union as a means for destabilizing Europe, the Federal Republic finds itself necessarily in an ambiguous position. The Germans, throughout their history, have been part of the West and at the same time open and available to the East. The contradictions between these two strains of history have often led to disaster. It will take great statesmanship and suppleness for West German politicians if they want to bridge these contradictions in a way that would be acceptable for both West and East.

PETER SCHOLL-LATOUR is a German television journalist and author of best-selling books on international affairs. He is a director and former editor in chief of the weekly *Stern*.

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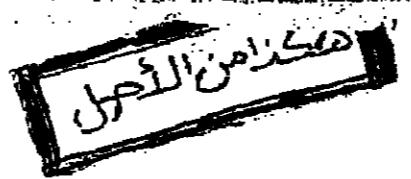
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Social Issues

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Disputes Among Historians Indicate Changing Cultural Moods

The issue is whether the identity of Germans today should still be overshadowed by the 12 Nazi years.

By Christoph Bertram

DIFFERENT countries have different ways of debating the trends of their time: in France, the "new philosophers" reflected the growing disenchantment of the Left with Soviet Marxism and its most terrible product, the gulag. In Britain, that happy country where intellectuals are still not classified by specialty but respected for their general education, the letters page of The Times remains the prominent forum for the battle of ideas.

In contrast, in West Germany, where there is no real establishment, no capital city combining the political and cultural élites, indications for changing moods and subterranean currents can be found in the disputes among historians.

It is, perhaps, indicative that the historians, the analysts of times past, should play such a role in the exploration of German identity today. As Gordon Craig, the Scottish-American who has become a leading and sympathetic authority on German history, recently reminded us in *"The New York Review of Books"*, German professors in general and German historians in particular have always been a querulous lot. "The historians have been prone to prolonged and bitter intellectual donnybrooks, and some of these, because of the importance of the issues involved and the passion with which they have been debated, are remembered as significant illustrations of the social and intellectual temper of their time."

MOVED, few countries have experienced a more turbulent history over the past 120 years: from the loosely knit German federation of the first part of the 19th century to Bismarck's Reich; from the ruins of World War I, the ravages of inflation and depression to murder and destruction under the Nazis; from capitulation in 1945 to national division; from bankruptcy then to prosperity now. As Germans try to find out what they are about after all these traumatic experiences, they quite naturally turn to the historians to provide them with a sense of where they come from and also, perhaps, where they are going.

The latest of these debates has been conducted in pages of the West German press for most of last year, most prominently in the country's leading liberal weekly, *Die Zeit*. The issue is not a new one: whether, 45 years after the collapse of Hitler's Reich, the identity of Germans today should still be overshadowed by the 12 Nazi years, which brought death and destruction to tens of millions of people, truncated the nation and cut it off from its history.

The first shot in the encounter was fired by

Berlin Professor Ernst Nolte, a man characterized by Craig as "more of a philosopher than a historian, with a penchant for making startling comparisons or posing daring hypotheses often in the form of questions, which therefore do not require an underpinning of proof." Nolte's piece printed in the country's major daily, the conservative *Frankfurter Allgemeine Zeitung*, culminated in one such question: whether the idea of Auschwitz had originated with the massacres of the Soviet Union and whether the Nazis and Hitler had perhaps committed their atrocities only because they regarded themselves as the potential or real targets of an "Asian" deed. "Was the gulag," Nolte asked obscurely, "not more original than Auschwitz?"

In normal circumstances, the strange utterings would have been passed over as the maverick views of an ivory-tower academic. But there are no "normal circumstances" in a country whose name has become linked with the greatest crimes in history and which, to its credit, has tried hard not to forget this. The man who took up Nolte's challenge was no historian, but West Germany's leading leftist sociologist and philosopher, Jürgen Habermas. Rather than ridiculing Nolte's strange suggestions, he took them very seriously. Behind it all (and other, similar studies by historical writers), Habermas detected less a rearrangement of the past than an attempt to mystify, in West Germans of today, a new sense of identity and patriotism by putting Auschwitz in the same "category" as other 20th-century atrocities. And soon every self-respecting historian was joining the battle.

It followed, as these things are perhaps bound to, an almost predictable course. Joachim Fest, highly respected journalist and Hitler biographer and now one of the editorial directors of the *Frankfurter Allgemeine Zeitung*, led the counter-counterattack by claiming that, after all, Nolte's questions could not be dismissed out of hand, and that there were indeed reasons to doubt the "singularity" of the Nazi crimes. The historians rallied mostly to Habermas: Nolte's suggestion that Hitler had followed an "Asian" model was analyzed, dissected and roundly rejected. All agreed that the Nazi atrocities, the bureaucratized, mechanized and mechanized murder of millions of human beings cannot ever be equated with other mass crimes, not in Stalin's Russia nor in Pol Pot's Cambodia. Nolte responded in *Die Zeit* in typical fashion: "The gulag is more 'original' than Auschwitz for the simple reason that the originators of Auschwitz were aware of it and not the other way around. But there exists nevertheless a qualitative difference between these two events. It is impermissible to overlook these differences, but it is



GÖTTSCHE

even more impermissible not to recognize the relationship." And even Habermas, in his final reply, called this "a thoughtful contribution."

And yet, the impact of the dispute, which touched many in the German intelligentsia deeply, cannot be explained by its historical arguments, important as they may be. As such, they have little novelty value in a society that only a year earlier had discussed with German thoroughness the lessons of history on the 40th anniversary of May 8, 1945. Four decades after Hitler's death, it is virtually impossible not to find, in any edition of the national newspapers, references to events during those dreadful 12 years, 1933 to 1945. Indeed, the coverage is so extensive, the memoirs of the survivors so widely reviewed, the dates of Hitler's rise and fall so meticulously chronicled, that clearly this remains a major preoccupation of Germany's thinking classes. Of course, as new generations come forward, memories recede and the fixation on the past, however morally justified, inevitably acquires a degree of ritualism. But perhaps there is no other way in which human societies can cope with the burden of historical guilt, and the seriousness of these attempts is not in doubt.

Yet the political significance of the "historians' dispute" lies elsewhere. Habermas feared not just that the arguments of the Nolte camp were trying to reduce German guilt but that they were put forward in order to justify that political restoration that liberals and leftists among the German intelligentsia have long associated with the government of Helmut Kohl and the "change of course" attributed to it. It was this that rankled Habermas, the champion of the enlightenment. His concluding piece in *Die Zeit* was entitled, "Of the Public Use of History." History, so his argument went, was being misused to serve the political interests of conservative restoration.

The vehemence of the debate can indeed only be understood in this context: It was not just another quarrel over the guilt of the Germans but over the role that this guilt should play in defining the identity of the nation. Behind all the academic arguments, the real debate was about the future consensus on West Germany's political identity.

WHY did it break out now? For one, the government of Helmut Kohl, unlike all its predecessors, has put itself firmly into the context of "normalcy." From the start of the United States has been strained by the clash between Reagonite ideologies in America and an often no less intense anti-Reagonite in West Germany, NATO and its doctrine of deterrence have been thrown in doubt by the emotional nuclear debate; the European Community seems to have decayed to petty bargaining over farm subsidies and steel quotas, while at the same time new possibilities for contacts and cooperation with East Germany seemed to open up and with it a new curiosity in West Germany about the cousins across the Elbe.

This, therefore, is the context in which the historians conducted their debate: the battle over the future shape of the German consensus. The Kohl government, rightly aware of the dangers inherent in West German floating between East and West and past and future, has tried to get history on its side. The critical Left, as represented by Habermas, not only dislikes the method but also the objective.

Who will prevail in the end? My hunch is that history, particularly in the German case, is not a useful handmaiden for the task of shaping

future policies. Those who argued in the debate that the past cannot be reinterpreted to suit the political fashions of later times have been proven right. The Nazi crimes were so horrendous that they will continue to overshadow German history for the indefinite future, and every new generation of Germans will have to come to grips with it again, however painful the process. If they want to give a direction to floating moods and uncertainties in the country, political leaders have to address the tasks of the future, not lighten the burdens of the past.

WEST German society, for all the quarrels, polemics and excitements of the 1980s, remains, after all, basically content with the status quo — as long as it does not pose awkward alternatives. Normalcy has set in in West Germany, and time is a force that not only reconciles with the past but also with the present. By and large, Helmut Kohl reflects a widespread feeling in the country: West Germans feel satisfied with their existence. The recurrent debate over "German identity" is no proof to the country — after all, Germans have always been fond of discussing what they are and why; it is the favorite parlor game.

What uncertainties exist would seem to be quite natural in a phase of domestic and international flux. They will gel into something more serious only if the politicians fail to provide leadership — and no historian can do that job for them.

CHRISTOPH BERTRAM is diplomatic correspondent of the weekly *Die Zeit*.

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MESSE MÜNCHEN INTERNATIONAL

Merging Giants: The Start of a New Corporate Era

By Edward Roby

BONN — The temptation to build corporate empires seems to be stirring again in West Germany after a long postwar dormancy.

The victorious World War II allies had identified the tendency to erect market-dominating structures in industry as a peculiarly German vice. They found it unusually threatening and set out to crush it under the unofficial occupation policy slogan: Demilitarization, Decentralization and Denazification.

The biggest target of the decartelization program was the I.G. Farbenindustrie AG fusion of the export-oriented German chemical industry, which developed the poison gas that made its debut in World War I as well as a list of ingenious synthetic products that have transformed the modern world.

A made-for-television epic based on the rise and fall of IG Farben with Bert Lancaster in the role of a chemical industry patriarch became a prime-time hit on German television over the Christmas holidays. The film delivered a frank portrayal of the world's biggest chemical industry as a tool of militarism and per-

verse nationalism side by side with its Nobel prize-winning glory and incomparable scientific achievements.

And it came at a timely juncture in West Germany's development because the peril of economic concentration is again a topic of public discussion.

Last autumn, Aschener-Münchener, one of West Germany's top five insurance companies, agreed to pay 1.85 billion Deutsche marks (\$1 billion) for the acquisition of the union-owned Bank für Gemeinwirtschaft, the country's eighth largest bank, when the German Labor Federation ran into severe financial difficulties. This takeover followed closely on the country's most spectacular postwar merger, in which Daimler-Benz paid 1.6 billion DM to absorb the giant but troubled electrical concern AEG.

It was just one in a string of rapid-fire takeovers through which the Mercedes automobile maker catapulted itself into the No. 1 position in West German industry last year. The car company also acquired MTU Motor-und-Turbine-Union and the family-owned Dornier aerospace firm, both of them high-profile defense contractors.

The trend toward concentrations in the form of conglomerates mergers became visible for the

first time" with the AEG and Bank für Gemeinwirtschaft acquisitions, commented Wupper & Partner, the Hamburg merger specialist, in its annual report for 1986. "A new era in German corporate history was initiated with this."

The Wupper report, titled

sulting firm, observed in the report. The trend was nowhere more visible than in the service industries, particularly in publishing, banking and computer software, the report said. In the industrial and manufacturing sectors, it said, the merger bug was especially active last year in

billion DM to acquire Celanese Corp. of the United States.

The Bertelsmann media concern, meanwhile, took positions in Doubleday Books and RCA for 1.8 billion DM. Deutsche Bank plunked down 1.2 billion DM for the Italian unit of Bank of America and Volkswagenwerk bought into Spain's SEAT for 1.1 billion DM.

In its impact on the domestic economy, the recent German merger wave fades to insignificance beside the frenzy that swept through the U.S. oil industry a few years ago. But some critical observers of the forces

that produce concentration in the West German economy have concluded that such straightforward, cash-and-carry commercial acquisitions may be only the tip of the iceberg.

Wolfgang Kartte, a chief of West Germany's Berlin-based antitrust office, has warned that the real danger of economic concentration might lie in the country's largely unregulated universal banking system, which permits a few influential commercial banks to maintain extensive portfolios of corporate shareholdings.

Deutsche Bank, the country's largest credit institution, for example, owns 28.5 percent of Daimler-Benz, the largest industrial company, and both Dresdner Bank and Commerzbank, the other two members of German banking's "Big Three," also have a stake in the car company. Deutsche Bank Co-Chair-

man Alfred Herrhausen, named last year by a business magazine as the most powerful man in West Germany, is credited with playing a key role in the Daimler-Benz acquisitions. And Deutsche Bank, which has major holdings in many blue chip concerns, has its representatives on about 150 supervisory boards of industrial companies.

A report filed last summer by West Germany's public monopoly commission revealed that Commerzbank held stock in 10 of the country's 100 biggest banks, and Deutsche and Dresdner, along with the giant Allianz insurance group, had a partial stake in eight others.

The commission, which called for a 5 percent cap on corporate participation by the banks in other industries, cited two cases in which it said bank influence may have neutralized an official ban on proposed mergers of retailing and manufacturing companies active in the same business.

Hanns C. Schroeder-Hohenwart, who in March concluded a four-year term as president of the German Banking Federation, calls such criticism unfair.

Mr. Schroeder-Hohenwart and the head of Commerzbank, Walter Scipp, have said that legislative moves to restrict banking participation in industry could have damaging consequences for the economy.

EDWARD ROBY is United Press International bureau chief in Bonn.

EC's Complaint

Continued from page 7

Germans are leading the way," one EC official remarked.

Diplomats here are most concerned by what they fear may be a policy in Bonn to actually discourage some German firms from participating in European programs. Official rhetoric aside, the EC diplomats contend that in some cases the Bonn government does not want its firms to share their technological know-how with other European companies.

"Encouraging a German company to become involved with an EC program is to encourage it to share its technology with other companies," said an EC official involved in community research programs. "But what we're noticing is a German reluctance to participate. We get the feeling that the German government is standing back."

The official contended that while other EC governments help coordinate seminars for industrialists to learn about EC research programs, Bonn shies away from sponsoring such conferences. "We are inundated with requests for such talks by every country except Germany," he commented.

Moreover, many EC sides contend that Bonn even establishes national programs that compete directly with EC efforts. One diplomat said that Bonn has radically increased its national research subsidies in information technology since 1984, possibly to draw German firms away from Esprit.

"It's a result of this policy that organizations in Germany are discouraged from going international," the official said.

West German diplomats deny this.

"There's certainly no government money set aside with the aim to persuade firms not to cooperate with somebody abroad," a diplomat said. He and other German officials argue that any increase in national subsidies reflects the needs of the targeted sector and are not an effort to undermine competing EC programs.

An oddity in the controversy concerns the role of West German companies, universities and research institutes. While the Bonn government appears skeptical about most EC research programs, West German organizations are enthusiastic in certain cases.

In the EC's program for industrial engineering, there are more firms from West Germany than from any other EC nation, sources say. West German organizations are also prevalent in programs on nuclear fusion, the one area that the Bonn government fully supports as appropriate for joint research.

However, the record is spotty. The commission refuses to disclose precise statistics, but West German firms are said to be underrepresented in Esprit, while there has been little enthusiasm for Race, the EC telecommunications program. Race is still in its definition stages, so the extent of future West German participation is not clear.

PETER MAASS, a journalist based in Brussels, writes frequently for the International Herald Tribune.

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Economic Trends

Economy, at Crossroads, Is Caught in Social Net

Continued from page 7

resulted in a 3.8 percent rise in domestic demand in 1986 from 1985.

Most economists see another 4 percent to 4.5 percent rise in 1987, from 1986. Other European economies and the Reagan administration have pushed the West German government to further stimulate domestic demand as a means of raising import levels, thus easing the huge U.S. trade deficit.

The trend represents a fundamental change of emphasis for the economy. Economic growth in 1986 and 1987 was powered by record-high export levels. West Germany's trade surplus soared to a record 112.2 billion DM (\$61.65 billion) in 1986, breaking the old mark of 73.4 billion DM set in 1985. Exports account for one-third of the nation's economic output.

The nation's current account registered a record surplus of 77.8 billion DM in 1986, shattering the old record of 38.9 billion DM set the previous year.

For 1987, most economists are projecting a trade surplus of 100 billion DM and a current account surplus of about 60 billion DM.

But the dollar's plunge to around 1.82 DM currently from a peak of 3.47 DM in mid-1985, has severely hurt exports. In volume terms exports fell 6.5 percent in 1986 from 1985, but due to vastly improved terms of trade, the nominal levels, which do not factor in prices, rose.

Exports are seen falling about 1 percent in 1987, although a further dollar decline would be a serious blow. But as one West German economist said, well-off Americans still want BMWs and Porsches whatever the price. Also, the majority of German exports go to countries other than the United States.

However, West Germany's highly export-oriented industry is responding to the steep drop in foreign orders for German goods by cutting back capital goods investment, cutting production and inventory,

and taking further restructuring measures, including laying off workers.

That further aggravates unemployment, which has been a persistent problem for the Kohl administration. In February, unemployment totaled 10 percent of the work force, or 2.4 million persons, down from 2.5 million in January. West Germany's unemployment totals are usually higher in winter because the construction industry frequently shuts down due to weather conditions.

The government is reacting by sticking to its guns. Employment Minister Norbert Blum says the government's policy is still creating new jobs through continued economic expansion, rather than financing make-work schemes that offer at best a transitory solution.

The nation's unions have a different idea. In current labor negotiations, the IG Metall metalworkers union is again pushing its proposal to shorten the work week to 35 hours as a way of reducing unemployment. The union's position is that workers get the same pay for 35 hours that they now get for 40 hours or 38.5 hours plus a 5 percent raise and no overtime work.

Proposals for shortening the work week touched off a bitter, six-week metalworkers' strike in the summer of 1984 that virtually closed down West Germany's huge automotive industry. The dispute was resolved with a compromise on a 38.5-hour work week in the industry.

There have been several minor warning strikes by the metalworkers thus far in 1987, and the issue could turn into a major problem for the government and employers, who are firmly opposed to it. The government also wants pay increases to be limited, to help fight inflation.

The danger of possible strikes could lead to a further worsening of the climate among businesses and consumers," said an economist for Westdeutsche Landesbank Girozentrale AG in Düsseldorf. "We also see a trend in the coming months for only

relatively weak declines in unemployment and a slowdown in new employment."

Looking beyond the labor front, there are some positive signs for the West German economy. Interest rates are low. The Bundesbank's key lending rate, the discount rate, was cut in January to 3 percent, from 3.5 percent, putting it at its lowest levels since 1959. Money market interest rates are steady at around 3.8 percent.

Karl Otto Pöhl, president of the Bundesbank, West Germany's central bank, recently told a group of top bankers that he sees room for a possible further discount-rate cut. But he has also said monetary policy has gone about as far as it can to boost the nation's economy, and fiscal policy must take over.

Fiscal policy is the realm of Finance Minister Gerhard Stoltenberg, who played a leading role in the meeting of the Group of Seven industrial nations in Paris, late February. At that gathering, West Germany promised to beef up a tax cut scheduled to go into effect in January 1988. The Group of Seven consists of Britain, France, Italy, Japan, West Germany and the United States. Italy boycotted the February meeting.

On Feb. 25, the coalition agreed to lower the corporate tax rate to 50 percent from 56 percent and to reduce the top personal income tax rate to 53 percent from 56 percent. The minimum personal income tax rate is to be lowered to 19 percent from 22 percent.

But the tax-reduction proposals have drawn fire, both for what they include and what they leave out.

Michael Zapf, managing director of the Bank in Liechtenstein in Frankfurt, likens them to the "creative accounting" described by the former White House budget director, David Stockman, in his book on the early days of the Reagan administration.

Mr. Zapf calls the tax package, "a rosy scenario with a magic asterisk," and questions the underlying economic assumptions.

"In a prudent bookkeeping sense," Mr. Zapf said,

"the entire financing of the tax reform package remains unclear. Under a worst-case assumption, it is perfectly possible that the next years will see a significant increase in public sector borrowing requirement. Should such a drastic increase in public debt occur, the public sector will crowd out the private sector and interest rates will rise."

Other economists have questioned whether the cuts should be moved up to this year. So far, the government has given no sign that speeding up the cuts is being considered.

The tax-reform package did not include the abolition of West Germany's stock exchange turnover tax. Top government officials had repeatedly said the turnover tax would be done away with in the current legislature's tenure. The failure to include it on the government's legislative agenda has been harshly criticized.

"It's a great disappointment," said Rüdiger von Rosen, executive vice chairman of the West German Stock Exchange Association, the umbrella group of the nation's eight bourses. "The reason being given for this abrupt about-face, that it would cause a loss of about 750 million DM in tax income that can't be recovered, is in no way believable. The efforts by the government, banks, stock exchanges and the Bundesbank to make West Germany a more competitive international financial center have lost credibility, here and abroad."

West German voters returned Mr. Kohl's coalition to power on Jan. 25, although with a sharply reduced majority in parliament. The government, which assigned cabinet posts in early March after weeks of negotiations, is just beginning to plot its route through the tangled terrain of economic necessity and political expediency. But faced with the prospect of slowing growth, simply "carrying on" appears certain to be the road not chosen.

FERDINAND PROTZMAN is a correspondent for the International Herald Tribune based in Frankfurt.

Siemens: Global Game and 'European Solution'

A survivor plays catch-up ball in computers.

By Vivian Lewis

MUNICH — With one exception, the great names of the West German electrical industry are now but footnotes to history, bankrupt or taken over: Grundig, AEG, Telefunken. The main survivor is Siemens, vying with Philips of the Netherlands for top rank in European sales, and fifth rank in the world, after IBM, GE, Hitachi and Matsushita.

Siemens' board chairman, Karlheinz Kaske, 59, a doctor of engineering and a pragmatist, told a French journalist: "My colleagues of the management board and I do first of all what is good for Siemens. So much the better; if it is also good for German industry. But Germany represents only 5 percent of the world market for electrical and electronic products."

To be sure, Siemens is West Germany's and Europe's largest private-sector employer, with 363,000 employees, 20 percent of them university graduates. But Siemens officials say that their strategy is worldwide in the first instance and focused on building up the company's presence in the United States in the second. North America in 1986 accounted for 10 percent of Siemens' total sales, after West Germany, 47 percent, and the rest of Europe, 26 percent.

In the last annual report, Siemens boasted that its integrated services digital network system had been sold to four of the seven regional Bell operating companies in the United States. Its Hickory, North Carolina, joint venture with Corning is the world's largest manufacturer of optic fiber cables. All of which makes it a bit difficult to appreciate

the logic of Jacques Delors, president of the European Commission, who urged the French government to let Siemens become the foreign 20-percent shareholder in Cie. Générale de Construction Téléphonique (CGCT) now being sought by the French government. This, Mr. Delors wrote in *Le Monde*, "is a European solution."

Some staff members at *Le Monde* feel the commission's real concern is keeping Siemens involved in European programs, like RACE for broad-band cellular radio research, EUREKA for basic research and ESPRIT for computers.

Siemens is playing catch-up ball in computers. Here, too, it is sometimes a good European, using European standards (Unix in its X-open variation, also used by Bull, Ericsson, ICL, Nixdorf, Olivetti, Philips, and Unisys and Digital Equipment Co. of the United States.)

Siemens is less of a presence in computers than it could be. Sales in 1986 of its communication and information systems group came to 9.1 billion Deutsche marks (\$5.1 billion), just inching ahead of telecommunications. But in addition to data-processing systems, this division includes value-added communication systems, in-house telecommunications for companies, fax and telex machines. The mixture of quite different products in one division is typical of Siemens' way of reporting its results.

Unlike other world-class electrical conglomerates, such as IBM, Hitachi or Philips, Siemens has only half-heartedly tried to make inroads into the computer industry. But last November, in a major switch, Siemens opted to join BASF in creating a new West German company, Compaq (capitalized at 80 million DM), to produce IBM-compatible personal computers and more peripheral systems.

Siemens' sales and orders in communications and data systems in 1986 increased by 10 percent. The mainstay of Siemens' presence in the market is its family of general purpose computers, 3,500 of which have been installed in Europe. By adding PCs from Hitachi, Siemens hopes to develop a range of compatible machines based on the same software, which can interface without interference.

Can Siemens catch up in chips and computers while taking on a problem French telecommunicat-

tions firm? The means are not lacking. Siemens is the most heavily capitalized West German-quoted industrial company, accounting for 10 percent of the stock market index.

Siemens' chip strategy worries the stock market, in part because the pay-back for the firm is far down the pike and depends on costs as well as technology.

Unlike IBM or even Philips, Siemens lacks a sufficient "captive market" for the chips its Munich plant will produce and its Regensburg unit will test and assemble with all costs to be incurred in marks.

Another problem for the market in sizing up this conglomerate is the obscurantist presentation of the accounts. Until this year, Siemens used to report separately for the power station company in the group, Kraftwerke-Union. But a lack of orders for

KWU following Chernobyl and the Green Party movement was painfully obvious last year—and was the major reason that Siemens did so poorly. The company's reaction is typical: In 1987, KWU will be consolidated and its troubles will be hidden.

Telecommunications order books and sales failed in 1986 to match levels reached the previous year, partly because currency factors shrank growth, and partly because the firm failed to get contracts as large as had been delivered in 1985. As a result, communications and data-processing overtook this division for second place in sales (after electrical engineering). But Siemens is convinced that 1987 will be better.

VIVIAN LEWIS is a Paris-based financial journalist.

هذا من الممكن

Industry

Outlook

Automobiles

The market for passenger cars, following a record year of output and new registrations, is unlikely to match growth recorded in 1986. The stronger Deutsche mark is making West German cars more expensive abroad. And growing imports may squeeze sales in lower- and middle-priced automobile brackets, while increasingly affecting the market for luxury automobiles.

Steel

Steel output, affected by the stronger Deutsche mark, growing imports and the decline in the oil market, dropped by 7 percent in 1986. No fundamental improvement is expected in 1987. Market share for mass steel will continue to be lost to developing countries, and the market for steel pipe will yield more ground. Profit margins may be eroded further by the weak dollar.

Mechanical Engineering

Output for 1987 is assured because of a sizeable volume of orders in hand. But foreign business, which accounts for 65 percent of the total, faces certain risks because of the declining dollar, depressed oil prices and the threat of import restrictions in the United States. Maintaining market positions may cost in earnings, but increases in the work force are expected.

Electrical Engineering

Electrical engineering output for 1986 grew at a rate of 5 percent. For 1987, production in the sector is expected to expand by 3 to 4 percent. Data processing and information technology sectors are backing off, but energy technology, auto electronics, drive and control technology and consumer goods are strengthening. Investment is expected to grow by 10-12 percent in real terms.

Chemicals

Industry sales dropped by nearly 6 percent in 1986, following a decline in oil-market prices and the weakening of the U.S. dollar. With uncertainties persisting over the direction of oil prices and exchange rates, moderate growth in output of 2-2.5 percent is forecast. Employment is expected to increase by about 1.5 percent. Plans for capital expenditures call for a real increase of 10 percent.



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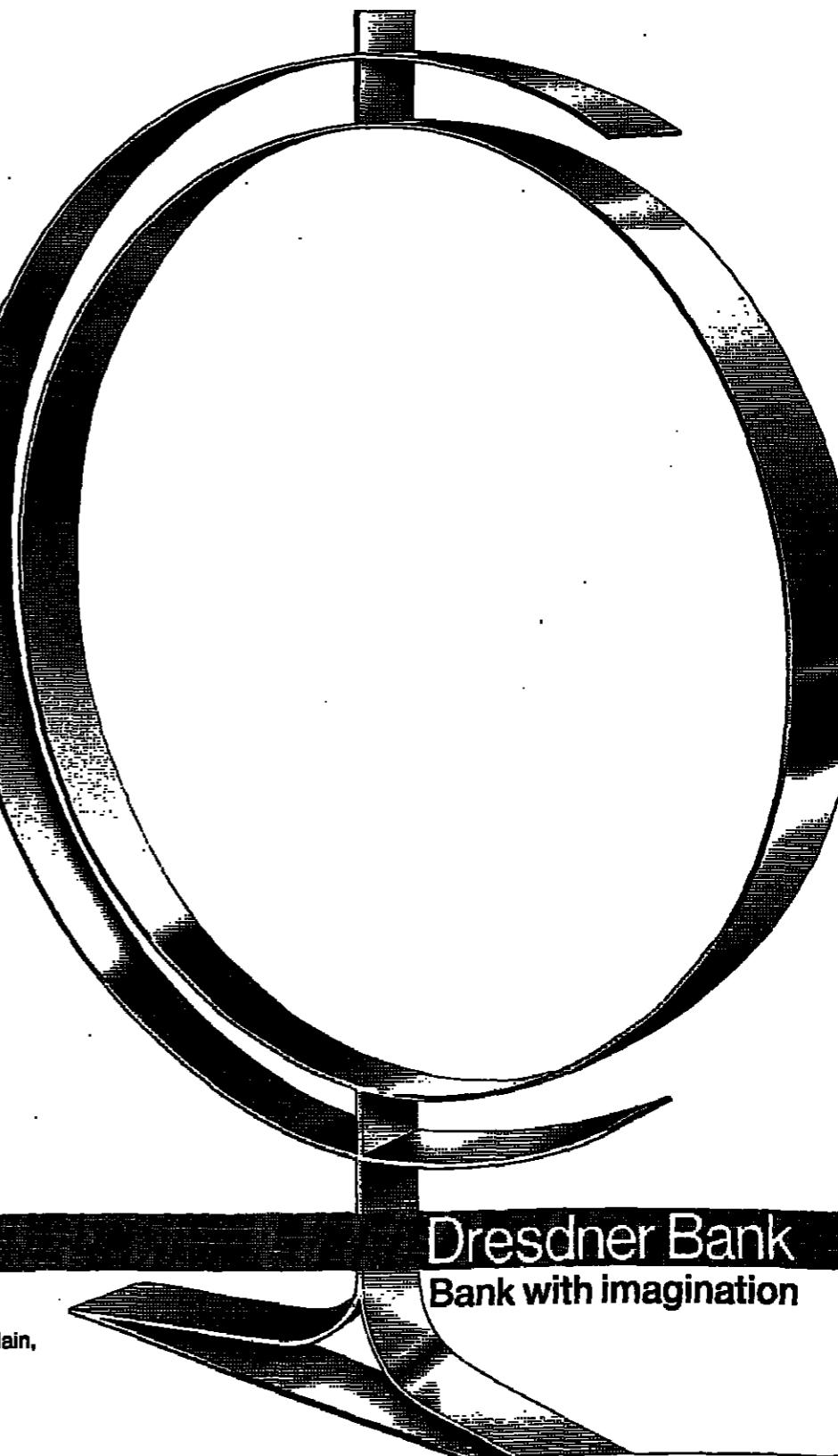
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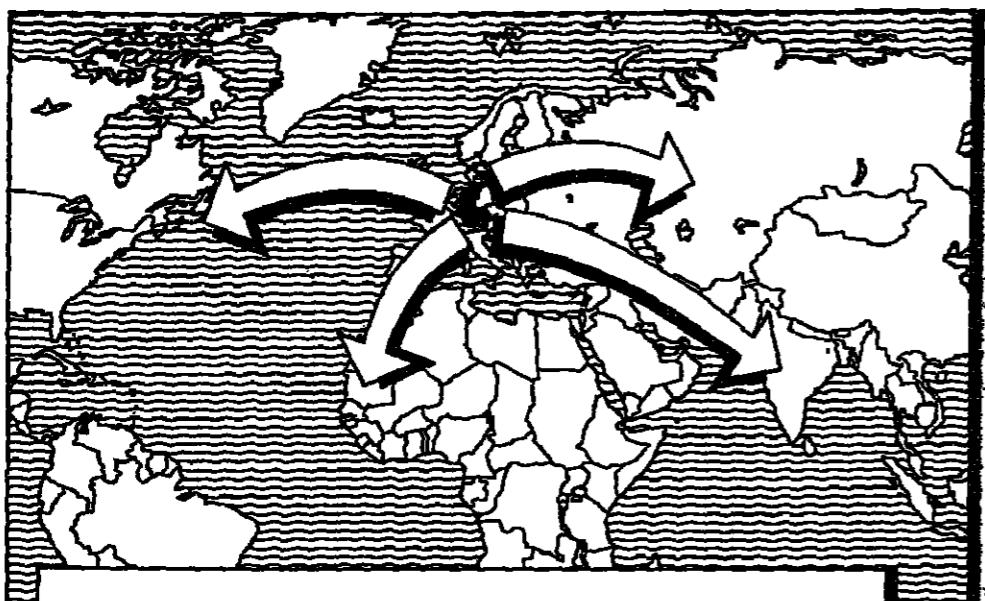
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TRADE PROFILE**Export Ties Across the Globe****Dollar, Recessions Affect Orders**

By Wellington Long

BONN — West German exports have been suffering since the spring of 1986 from the effects of the declining U.S. dollar as well as from economic stagnation or recession in many foreign markets.

Exports to developing countries fell by about 16 percent last year, primarily because their economies were stagnant or even in recession.

Yet the picture has some highlights. Some exporters actually increased their business, particularly in the United States, mainly by supplying special products not otherwise available — an example is the Ueckener Maschinenfabrik Friedrich Mauer GmbH of Sulzbach, which has markedly increased sales of its small construction machines to the United States and says it is making a profit despite the unfavorable exchange rate.

"But overall, new export orders have fallen off, by 10 percent for machines and factory installations. The Institute for Global Economy in Kiel says that West German exports

depend less on the exchange rate of the U.S. dollar than on the economic situation in the customer countries. For this reason, the Institute predicts that West German exports may increase slightly this year, although they could drop off in 1988.

The IFO research institute in Munich says another important factor is that 85 percent of West German exports are factored in marks.

Klaus Richter, president of the West German Association of Wholesale and Export Traders, says that quality products, timely delivery, follow-on service and the fact that West German exporters remain in a market even if they suffer temporary setbacks are more important than the cheap dollar.

According to Mr. Richter, West German exports in 1986 dropped nominally two percent below 1985, although reckoned in volume, they actually grew by 1.4 percent.

"In short, exports lost their verve during the last year," Mr. Richter said.

Wellington Long is a journalist based in Bonn.

Soviet Union and Eastern Europe

Exports to the Soviet Union fell off by 11 percent during the last year, primarily because the prices for raw materials, West Germany's main export item, dropped so sharply. West German industrialists hope that they eventually can recover some of the lost Soviet

markets by developing joint enterprises with Soviet state-owned firms. Many details of such potential arrangements, which are being actively promoted by the Soviet Union, have yet to be clarified. The situation in Eastern Europe is similar.

United States

Despite the steadily declining dollar, West German exports to the United States fell only minimally during 1986, by one-half of one percent. But the association of wholesale and export traders warned that exporting to the dollar area, because of the massive fall in the exchange rate of the dollar, has become "increasingly difficult and riskier." One company, Porsche AG, which sells more than half its output in the U.S. market, expects to sell every automobile it makes, but the company will earn less than in the recent past.

Western Europe

The states of the European Community remain West Germany's largest export market. France being the largest customer. While farm implement manufacturers in other countries reported serious difficulties, West Germany's tractor makers recorded considerable export success, particularly within the EC. They attributed this in part to innovation. Exports to Spain rose by 24 percent and to Portugal by 10 percent, primarily as a result of the entry of these two countries into the European Community.

Asia

Exports to Asia fell off slightly, by three-tenths of one percent, although West German imports from that area increased by almost nine percent. Exports to Asia make up about six percent of all West German exports. Exporters say their main competitors are the Japanese and the United States, both of which have established themselves in the Asian markets so firmly that competitors find it difficult to break in. Exporters believe the political situation also plays a role. About 42 percent of Asian trade is with Japan.

Middle East

Exports to the Middle East region, particularly to the oil-and-gas-producing countries, declined sharply last year, in some cases by up to 30 percent. At fault is the declining price of petroleum on world markets. These countries' own revenues from exports of raw materials factored in U.S. dollars dropped drastically. The exporters hit hardest are 1,000 West German manufacturers of air-conditioning equipment. They report that during the last year orders from oil-producing countries dried up completely.

Close Relations**What Washington Wants**

By John M. Goshko

WASHINGTON — With the formal re-election of Helmut Kohl as West Germany's chancellor, U.S. officials anticipate four more years of close ties with a leader whose center-right policies have put him only a hair behind British Prime Minister Margaret Thatcher as the Reagan administration's favorite West European ally.

The relationship will not be totally trouble-free. There are areas, such as international economic policy, East-West relations and combating terrorism, where differences between Bonn and Washington are apparent.

But, officials on both sides agree, all involve issues susceptible to compromise. And, U.S. policymakers privately acknowledge, Washington prefers dealing with Mr. Kohl's coalition of Christian Democrats and liberal Free Democrats rather than with the opposition Social Democrats, who are regarded as open to neutralist influence, or with a government headed by Mr. Kohl's rightist Christian Democratic rival, Franz Josef Strauss, who advocates a hard-line approach toward the Soviet Union.

At present, the major difference between the two governments involves a reprise of Washington's periodic efforts to get the cautious and reluctant Kohl government to use West Germany's economic strength to play a greater role in world affairs.

What Washington has most in mind is its desire for West Germany, and Japan, to stimulate their economies to help relieve the U.S. trade deficit and to stabilize the decline of the dollar. U.S. Treasury Secretary James A. Baker III made some headway at a Feb. 22 meeting in Paris when Bonn promised to increase a planned \$5.5 billion tax cut, scheduled for Jan. 1, 1988, to stimulate demand by West German consumers and businesses for imports.

But the tax cut increase, which some sources said could amount to about \$3 billion, fell considerably short of the steps Washington had advocated. Moreover, Bonn's willingness to go ahead could be set back by slower growth and a rise in unemployment.

"We don't want German efforts to be confined to sucking in more American exports," said one U.S. official involved in the talks. "We'd like to see West Germany more active in the European Common Market and elsewhere in promoting greater free trade, and we think it could do more to help relieve the massive foreign debt problems weighing on so many Third World countries."

But, as another U.S. official noted, "the Germans are too conditioned by innate conservatism and their past history of traumatic economic setbacks to be comfortable with the idea of getting out front in a leadership role."

While Washington is all in favor of West Germany becoming a more activist force economically, it is much more equivocal about Bonn following a similar path in the political sphere.

In the Middle East, Bonn usually has been associated with European Community initiatives that West European governments insist are even-handed but that are regarded by Israel as tilted toward the Arab side. That, in turn, is seen by some U.S. policymakers as unhelpful toward efforts to revive the long-stalled peace process.

Differing perspectives on the Middle East also have been evident in the anti-terrorism field. For a brief moment, it threatened to cause a major problem between the Reagan and Kohl governments over U.S. requests for the extradition of Mohammed Ali Hamadeh, 22, a Lebanese Shiite Moslem arrested in West Germany on Jan. 13.

The United States wants to try Mr. Hamadeh for alleged participation in the 1983 hijacking of a TWA jetliner to Beirut and the murder of a U.S. Navy enlisted man who was among the passengers. However, the kidnapping of two West Germans in Beirut by terrorist groups demanding Mr. Hamadeh's freedom forced the Kohl government to explore procedures that would avoid extradition.

While U.S. officials privately say they still want Mr. Hamadeh extradited, they have ceased pressuring Bonn and have said they will await the results of extradition proceedings in the West German courts. Bonn has fended off the terrorist calls for releasing Mr. Hamadeh in a trade for the captive Germans, and there appears to be a tacit agreement that the situation not be allowed to escalate.

The most likely arena for greater political interplay between the two governments is the Atlantic alliance and what approach the United States and its North Atlantic Treaty Organization partners should take toward the "openness" initiatives of Soviet leader Mikhail S. Gorbachev, particularly in arms-control.

The strong showing made by Mr. Kohl's coalition junior partners, the Free Democrats, in the January elections is regarded in Washington as having increased greatly the influence of the Free Democratic leader, Foreign Minister Hans-Dietrich Genscher, while marking a decline in the power of Mr. Strauss and the Christian Democratic right wing. That has prompted efforts to improve Bonn's ties with Moscow, where Mr. Kohl had been treated with far greater coolness than other West European leaders.

Its most immediate effect, though, almost certainly will involve West German efforts to foster support within NATO for speedy pursuit of a U.S.-Soviet agreement on the removal of intermediate-range nuclear missiles from Europe. West Germany has certain reservations about recent Soviet initiatives. These concerns involve verification and a desire to include in any agreement short-range nuclear missiles capable of hitting West Germany.

THE Kohl-Genscher coalition, anxious to claim the political credit with the West German public, seems certain to be in the forefront of NATO countries pressing Washington to move full speed ahead on testing the possibilities of an agreement with Moscow.

However, other aspects of the larger East-West picture could cause some minor frictions between the two allies. As part of Bonn's opening to the East, the Christian Democratic mayor of West Berlin, Eberhard Diepgen, has invited the East German leader, Erich Honecker, to visit the western side of the city next month to mark Berlin's 750th anniversary, and that has caused some qualms among U.S. officials about a precedent that could weaken American, British and French control over the western sectors of the divided city.

Friction is also possible in the arms-control field. Bonn regards the U.S. decision last year to halt voluntary compliance with restrictions of the unratified Strategic Arms Limitation Agreement as hindrance to hopes for an agreement on reducing intercontinental nuclear missiles.

And, while Bonn remains a loyal supporter of research into President Ronald Reagan's Strategic Defense Initiative, it has made no secret of its concern about the administration's move toward a "broad interpretation" of the 1972 Anti-Ballistic Missile Treaty as a prelude to American testing of space weapons.

Perhaps the greatest of all West German concerns involves the paralysis that has beset the administration as the result of disclosures about arms sales to Iran and diversion of funds to Nicaraguan rebels. West German officials make no secret of their fear that a U.S. government forced into a defensive, inward-looking posture will be unable and unwilling to offer the leadership needed by the Atlantic alliance to test Mr. Gorbachev's calls for openness and reform of the Soviet system and to see whether it offers possibilities not only for arms control but for détente across a broad range of East-West issues.

JOHN M. GOSKHO is a diplomatic correspondent for The Washington Post.



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Testing Market Strategies

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Firms Push To Grow in U.S. Market

By Edward Roby

BOON — Three years ago, when the dollar was soaring toward 10-year highs against the Deutsche mark, dozens of U.S. manufacturing companies simply abandoned the West German market as their exports became unprofitable.

Now, the tables have turned with a vengeance. The dollar has lost roughly half its value against the mark and the West German export boom has passed its peak. But there has been no such corresponding exodus of West German companies from the vast U.S. market. Quite the contrary, West Germany's export-oriented industries are pushing ahead with expansion plans in the United States.

Mannesmann, the Düsseldorf-based steel pipe and engineering company, is currently shopping for a new U.S. acquisition to complete the five production facilities and numerous trading outlets it already has in the United States. Chairman Werner H. Dieter said, "We need to produce more there. We must offer superior service. That can't be achieved without a production base in the country."

The chemical company BASF, which bought into advanced materials, paint, ink and fibers manufacturing operations in the United States even while the dollar was high, said it has plans for direct U.S. investment of well over \$1 billion in the next five years. BASF regards the United States as its biggest growth market.

Behind the contrasting behavior of the U.S. and German companies lurks one of the secrets of the colossal U.S. trade deficit: a startling difference in corporate philosophy.

"The typical U.S. company, to the extent that it pays heed to export potential at all, is likely to make its efforts in a foreign market contingent upon a swift return."

A stiff wind is blowing in the face of the German export economy today because of the foreign exchange rates," he said.

The heavily export-oriented machinery, engineering and electrical branches all reported substantial drops in foreign orders for the closing months of 1986. The Bundesbank, or central bank, in its monthly report for February said this development will also take its toll of the domestic economy because these branches have scaled down investment plans.

Rising consumer spending prompted by the disappearance of inflation and higher disposable income compensated for some lost export momentum last year but the economy only expanded by a modest 2.5 percent. Forecasts of comparable growth this year are being questioned as possibly too optimistic.

The Germans have always been export-minded. The Americans never have been," said Albert Doermann, a foreign trade specialist with the German Banking Federation.

In West Germany, it is thought that almost one out of three jobs depends directly or indirectly upon international trade. It has been estimated that perhaps three-quarters of all private companies are in some way engaged in exporting. The West Germans are keenly aware that foreign sales are a matter of survival and the key to their postwar prosperity.

This outlook has helped make West Germany the world champion of international com-



Packing up: Worker stamps Roland offset press for shipment.

merce, overtaking the United States last year in value of exports. And unlike the third-place Japanese, whose yen has risen in value against the dollar almost exactly in step with the mark, the West Germans have not had to cope with a sudden spate of business failures and job losses caused by stalled exports.

Japan has been hit harder because around 40 percent of its total exports go to the United States compared with only 10 percent for West Germany. And while U.S. sales slipped marginally last year to \$52.6 billion Deutsche marks (\$30.3 billion) from \$55.5 billion DM in 1985, the West Germans managed to shift some exports to the European Community, where France was already their largest customer.

Even if West Germany were to artificially stimulate its economy, as the United States has suggested, this would have a negligible impact on the demand for U.S. export goods under the circumstances, Mr. Schmidt argued. Moreover, he said, U.S. protectionist barriers or self-imposed export restraints by U.S. trading partners would only frustrate domestic demand in the United States.

The figures on bilateral trade over the past five years show that West German exports to the United States climbed from \$28.1 billion DM in 1982 to \$52.6 billion DM last year. But imports from the United States remained little changed at around \$28 billion DM.

THE United States exports to West Germany state-of-the-art electronic office machinery, communications equipment, control systems and aircraft, among other items. Much of this would sell at any cost. But there has been little or no effort, for example, to market consumer goods, apparel and other products that might benefit from the increasingly favorable terms of trade for the United States.

The company has also resorted to economy measures, notably by cutting back on investment. During the export boom, Porsche had increased capacity to produce 53,000 sports cars last year compared with 32,000 in 1982.

"I can't detect any aggressiveness," said Joachim Veltz, general manager of the business consulting firm Horst F.G. Angermann of Hamburg.

There is little disagreement that the foreign exchange swing and improving terms of trade will eventually redress the U.S. trade imbalance but "one can't expect it to happen overnight," said Horst Seidler, an economist with the German Institute for Economic Research in Berlin. "The Americans need to give the exchange rate time to make the correction."

The surge of direct investment by West German companies in the U.S. economy will also help to restore balance. Preoccupation with the current foreign trade deficit ignores the major role that U.S. companies like Ford, the General Motors Opel subsidiary and IBM have long played in the West German economy.

"Just consider what it would mean if their products had been exported to Germany," Mr. Doermann said.

Porsche Has Learned to Cope With Dollar

STUTTGART — Porsche AG is an extreme case of a West German company that depends on the U.S. market. It has learned to cope with currency fluctuations.

American sport car enthusiasts have been the main customers since the 1950s. Until the collapse of the Bretton Woods monetary agreement in the early 1970s, the dollar usually fetched close to 4 Deutsche marks, and exchange swings were scarcely a factor in marketing calculations.

Price may still be no object in the U.S. luxury market, but availability of other products has made the currency fluctuations of the past 10 years a competitive factor for Porsche.

During the 1950s, '60s and '70s, Porsche sold, on average, half of all its cars to Americans. Now, that figure has climbed to more than 60 percent.

"Naturally, the dollar rate is vitally important for us," said Manfred Janke, a Porsche spokesman. "In the fat years, we have earned plenty on exports."

But since February 1985, when the dollar touched a high of 3.47 DM, the U.S. currency has lost close to half its value against the mark. Porsche will easily sell every car it makes this year but it will not earn nearly as much.

Maintaining steady production at full capacity in this kind of market calls for a flexible strategy. "There are no tricks," said Mr. Janke, "and only a few possibilities."

The most obvious option is a price increase. After holding the line for two years while the dollar was high, the company boosted its prices by about 20 percent last year. Porsche sports cars range from about \$20,000 for the 924 S to around \$50,000 for the top-of-the-line 928 S4.

The company has also resorted to economy measures, notably by cutting back on investment. During the export boom, Porsche had increased capacity to produce 53,000 sports cars last year compared with 32,000 in 1982.

"We think about 50,000 a year would be ideal," Mr. Janke said. "We will consolidate here."

A third way to compensate for swings in currency-sensitive export is diversification.

Porsche has designed motors for German and Italian car manufacturers. It has also done engineering for tanks and helicopters and has designed cockpits and engines for aircraft. A newly developed Porsche aircraft motor is to go into production this year.

The engineering division concentrates on developing automo-

tive products during boom years and places its capacity at the disposal of other companies under contract when business is thin.

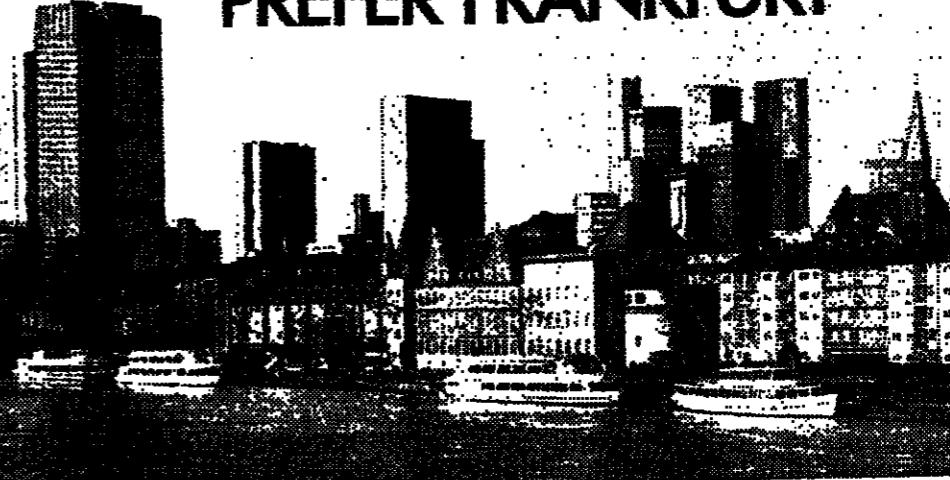
The company still regards the United States as its biggest growth market. Domestic sales have retreated to around 15 percent of production and the rest is exported to Britain, France, Switzerland and Japan. The company hopes to increase sales in Japan from 1,000 to 3,000 cars in the next three or four years, Mr. Janke said.

Porsche's figures for the first half of this fiscal year further demonstrated the ravages of the dollar-mark rate and stagnating domestic demand. It said turn-

over sank 6 percent to 1.71 billion DM from the year-earlier 1.82 billion DM. Domestic deliveries declined 39 percent to 3,267 from 5,397. Foreign deliveries were up 5 percent to 22,002, raising the export quota to 87 percent.

Edward Roby

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Media Firm Starts Expanding Abroad

By Vivian Lewis

GUTERSLOH — It was 531 years ago that the first book was printed with movable type, the Bible of Johann Gutenberg. In March 1987, a further breakthrough for German Bible studies was announced at the Hannover CeBIT computer fair: a compact disc read-only-memory (CD-ROM) that gives scholars multimedia access to the Martin Luther translation and the Hebrew original, using any key word or phrase, in word, picture and sound.

The CD-ROM Scripture is the product of the German Bible Society and Bertelsmann AG. Bertelsmann, headquartered in this tiny town famous for its pumpernickel, is a little-known family-controlled group, which used to be in the publishing business but now rightly calls itself a media concern. From this provincial place is run a multinational group with interests in books and the press, book clubs, records and tapes, electronic media, radio, TV and film, video and software.

Depending on the dollar exchange rate, Bertelsmann ranks among the top three media companies worldwide, and certainly the largest in Gutenberg's homeland, with 1987 expected sales of 10.2 billion Deutsche marks (\$6.66 billion). Cash flow this year, as last year, is expected to be about 456 million DM. (Net profit figures are not published.)

Thanks to control of the Bantam and Dell paperback houses, Doubleday Books, RCA music and tapes — the last two acquired in late 1986 — Bertelsmann is nearly as important in the United States as in West Germany. An indirect U.S. subsidiary, Brown Printing, prints Time and Newsweek. Bertelsmann's U.S. sales overall this year will account for 30

percent of the total, West Germany for 40 percent and the rest of Europe for 28 percent.

In addition to its U.S. investments, Bertelsmann has taken a 15 percent stake in Compagnie Luxembourgeoise de Télévision, parent of Radio-Luxembourg, and has a 39 percent interest in RTL-Plus in West Germany.

Bertelsmann's international expansion is partly motivated by the problem of buying media companies within West Germany. Tight control of takeovers by the West German Cartel Office has hampered the company's domestic expansion.

The German public is not buying many more books. The growth in book-buying since 1983 has been concentrated on paperbacks (where there is a lot of competition) and on some types of textbooks. In 1985, the last year for which data exist, West German bookstores sold 13,033 million books, down from 13,857 million in 1984. Export book sales to other countries (notably Switzerland and Austria) dropped more sharply in the same period, and domestic book club turnover fell 6.1 percent.

However, Bertelsmann pushed up its book and record club turnover by 6.9 percent in the year to September 1986 to 1,983 billion DM, making it both the second largest and most successful division of the company (before the U.S. acquisitions). Bertelsmann book and record clubs had 16 million members in 19 countries at the end of last fiscal year, now joined by the largest U.S. juvenile book club.

Magazine publishing in West Germany, as elsewhere, is fighting for a share of a declining market. The result has been a proliferation of new magazines, created in an effort to find a niche in the crowded field. Bertelsmann has been one of the most successful players, with Prima, Flora, Gutes Essen, Geo and Capital magazines (and with Parents and Young Miss in the United States).

Despite the new titles, however, Gruner & Jahr, Bertelsmann's magazine division, its largest, only chalked up a 3.2 percent sales increase last year to 2,43 billion DM.

Being a private company — controlled by Reinhard Mohr, 65, a descendant of Carl Bertelsmann, who founded the firm in 1835 — helps give Bertelsmann its special character. The first book Carl Bertelsmann published in Gütersloh was a hymnal, and the company retains a powerful position in religious publishing. Privately owned, provincial and religious, these factors give Bertelsmann its strength — and weakness.

Not having to focus on bottom-line profitability and annual comparisons, which are simply not published, enabled Bertelsmann under Mr. Mohr to take strategic positions regardless of the short-term costs. The 1977 acquisition of Bantam Books from sellers in Italy's Agnelli group demonstrated that Bertelsmann could act quickly. When General Electric acquired RCA and was looking for someone to take over

its records and tapes business, Bertelsmann was ready.

When Gerd Bucerius, publisher of the general-interest magazine Stern, was looking for a way to ensure that his privately owned Gruner & Jahr group would continue to exist, he turned to Gütersloh and arranged a share exchange. With 11 percent of the action, Mr. Bucerius is the only shareholder besides the Mohr family. The West German Cartel Office refused to allow a complete merger.

It is because of its private character that Bertelsmann has avoided the kind of public ire that falls on press magnates in other countries. How many Germans are aware that Bertelsmann is the largest magazine publisher in West Germany, controls the Gruner & Jahr magazine group and is the largest shareholder in the news magazine Der Spiegel?

Bertelsmann owns a 24.9 percent stake in Der Spiegel, which, however, is effectively controlled by staff reporters. Meanwhile, part of the family that controls the Burda magazine group picked up the 24.9 percent stake in Springer publications refused to Bertelsmann.

These minority cross holdings are the result of official trust-busting, which has prevented the complete takeover of these newspaper-magazine groups from within the industry. Both Burda and Bertelsmann are essentially apolitical groups, which, while it has not restrained the cartel office, has enabled them to expand internationally without raising fears of German cultural imperialism.

Burda is breaking up not because of antitrust action, but because of sibling rivalry. One family branch, F&F Burda KG, which stands for brothers Franz and Frieder, has a 50 percent joint venture in the United States with Meredith and holds the Springer shares. Another branch, brother Hubert's Burda GmbH, publishes a rival to Stern called Bunte, as well



Engraving depicting a 15th century print shop.

as a host of magazines, including Burda France magazine and patterns. Still another company, Aenne Burda GmbH & Co., belongs to the three brothers and their mother. (It just pulled a world publishing coup, getting permission to issue its fashion and pattern publication, Burda Moden, in the Soviet Union.)

Bertelsmann's owners have drawn the obvious lesson from the Burda fiefs. Their company is to be turned into a foundation upon the death of Mr. Mohr, although this great-grandson of the founder has six children.

Control of the company is indirect, given the large number of independently managed subsidiaries in 20 countries. But there is a house style all the same. "If divisions publish the wrong sort of books, management makes its displeasure known," one official said.

For example, managers of the firm's video subsidiary were ordered to drop some sexually explicit lines. Perhaps because of company constraints, Bertelsmann music-video is losing market share — last year, sales fell 23 percent.

A cautious, morally uplifting provincial tone is not always the best way to sell books. Having published Lee Iacocca's best-seller in the United States, the Bertelsmann group let the opportunity slip and failed to sign up the German edition. A rival is doing very well with it.

In recent weeks, Bertelsmann has made another acquisition that breaks new ground: a newspaper called the Hamburger Morgenpost, its first daily. In a city where 80 percent of the press is controlled by the Springer group, the entry of Bertelsmann counts as a challenge.

On Stock Exchange, It Helps to Be Insider or Eccentric Contrarian

FRANKFURT — The classic facade of the Frankfurt stock exchange building is being cleaned and remodeled. The working crew may only make noise during hours when the exchange is not working, but their fences are there all day. Luckily, the exchange is open only from 11:30 A.M. to 1:30 P.M., which means that reconstruction can go forward precisely because trading is so short.

In West German stock exchanges, timing is everything, and it helps to be an insider or an eccentric contrarian.

West German stock market averages, after doing well in 1985, sagged in 1986. The only investors who came out well are those whose currency is not the Deutsche mark, who bought when the mark was weak and sold when it had strengthened. In dollars, therefore, you would have made 18 percent in West German stock markets in 1986 — but in Deutsche marks you would have lost 10 percent.

These days, buffeted by concern over Volkswagen's foreign-exchange losses, the West German markets are near their low of 1986-87

(1677.6 on the index, compared to a high of 2278.8). But apart from that accidental factor, the markets were headed downward already.

West German companies are big exporters, beating even the Japanese. As the dollar sinks, most West German banks expect corporate profits to be put under pressure from suddenly cheap U.S. competition. When corporate profits fall, stock market operators are bearish.

To overcome that problem, West German banks are waiting for some other factor to come into play to bolster profitability, such as strong domestic demand from a tax cut or a further cut in interest rates.

Moreover, foreign investors, who account for about 30 percent of the trading, are hardly likely to increase their holdings in West Germany if they listen to German banks: If the mark falls, improving corporate profits, foreign investors will lose on the currency exchange.

In West Germany, it is only through banks that one can buy or sell shares, as separate brokers do not exist. Rüdiger von Rosen, executive vice-chairman of the Association of Ger-

man Stock Exchanges, explained: "We don't need 'Big Bang' liberalization. In Frankfurt it is 400 years old."

Some West German forecasters, notably the respectable Kiel Institute, expect 3.5 percent growth of output this year. And the Organiza-

Many West German shares are at bargain level. German companies use accounting techniques to persistently underestimate their earnings. One reason is that West German accounts produced for shareholders have to correspond to those produced for the tax inspectors. One

reserves, often equal to 100 percent of fixed assets.

Companies engaging in a takeover may not put "goodwill" into their balance sheet, so they underestimate the increase in equity that results.

Inventories are understated for tax purposes and are not revalued upward if prices rise lest

there be tax consequences.

Although the situation is changing somewhat, the West German market is still one for "professional investors" and thus differs from the New York, London and Tokyo markets.

Being forced to deal with banks on the exchange floor makes the environment more difficult for West German companies. They are encouraged into further reticence by the fact that the same huge banks trading their stock are also usually holding their loans.

One reason small investors stay out is that West German markets are relatively unregulated. Insider trading, for example, is controlled only by a voluntary code that applies to corporate officers but not to others in the know. The stock exchange has a committee, headed by a retired judge, to punish abuses with public

scrutiny and a requirement that the offender repay what he made. But it has no real investigative powers.

West Germany has recently had a wave of new issues, and it will probably pick up after May when a new "second market" is set up on the exchanges. (In addition to official listing, West Germany already has an unregulated "telephone" market and over-the-counter trading, but the new market will be more official.)

A drain on the eight West German exchanges is the government's inconsistency about removing the turnover tax, kept in the current budget despite promises during the election campaign. The tax raises 750 million DM (\$415 million), according to Mr. Rosen — but its effects are costly.

"We are really mad at the government," he said. "We have 250 foreign banks in Frankfurt but ones thinking about coming — like Goldman Sachs — brought out quite clearly that the turnover tax in Germany counters the attraction of coming here."

Vivian Lewis

We don't need "Big Bang." In Frankfurt it is 400 years old.'

tion for Economic Cooperation and Development does not expect West German trade surpluses to fall below last year's \$25 billion. German investors "like to look at fundamentals," according to Berndt Johann of the stock market newsletter Platowbrief. But they may be misleading the fundamentals.

cannot report more income to shareholders than one reported to the tax authorities. As a result, write-offs are taken in one single year. Pension liabilities are not accounted for separately and are used to offset reserves created in order to cut taxable income. To economize on taxes, West German companies have hidden

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Political Scene

W. Germans at Top Of Ecology Scale but Plagued by Acid Rain

West Germany is without a doubt the most environmentally politicized country in Europe.

By Thomas Netter

GENEVA — When the European Commission wrote to all EC members recently assessing compliance with its environmental regulations, West Germany came out as more obedient than Britain, Italy, Belgium, Greece and France, despite its reputation as the ecologically worst off in Western Europe.

But West Germany, hardest hit by the *Waldsterben*, or dying forest syndrome of acid rain, and a victim and perpetrator of pollution of the Rhine River, is at once an example of what is environmentally right and wrong in Europe during the European Community's "Year of the Environment," which began March 21.

Environmentalists say that now is a good time for Europe to take a comprehensive look at its environmental problems. By any standard, 1986 was a bad year, with the Chernobyl nuclear plant disaster, the fire in November at the Sandoz chemical plant in Basel, Switzerland, that badly polluted the Rhine, and, by all accounts, worsening acid rain damage throughout Europe.

Nowhere have these onslaughts against land, air and water been felt more acutely than in West Germany. The rapid expansion of industry, an obsession with heavily polluting, high-speed driving and a romantic notion linking national identity to forests, mountains and the mighty Rhine have made West Germany Europe's most environmentally conscious nation. It is also the main battlefield in the debate over nuclear power.

West Germany is without a doubt the most environmentally politicized country in Europe, partly because the Greens political party has had such a success," said Adam Markham, director of Friends of the Earth in London. "The West German people put ecology very high on their agenda."

Mr. Markham and other ecologists attribute this to a number of factors.

Until recently, West Germany enjoyed the type of economic prosperity that virtually eliminated

unemployment as an issue, unlike Britain or Italy. In addition, he said, rapid post-World War II industrialization and economic recovery had ravaged the German landscape to the point where *Waldsterben* gained prominence as an issue years before it did in the rest of Europe.

"In Germany, the environmental groups tend to stress more emotion than figures," he said. "You find that most of them look at this issue in an emotive way. When people could see *Waldsterben* cutting into the German soul, the love of forests based on literature and history, it went right to the center of the national feeling."

It is this sort of consciousness that allowed West Germans fearful of radiation damage to let vegetables rot in food stalls long after the Chernobyl accident.

And it is a lack of this sense of environmental crisis that has so far generally muffled broad national concern over the environment in societies like France, where ecological disaster is still seen widely as someone else's problem.

"The problem of acid rain is for the moment specifically to the east of France," said Jean-Baptiste Dumont of the World Wildlife Fund-France office in Paris. "The French public is really not so aware of the problem. They understand that something is happening, but they don't see it."

In West Germany, there is a feeling that the rest of Europe is only now beginning to match this sensitivity to the environment, giving the impression that West Germany's situation is far worse than it really is.

"Is Germany the worst in Europe?" mused Rosemarie Oswald, an official of the World Wildlife Fund-Germany in Frankfurt. "Maybe. But I think the problem is that other countries have only lately begun to recognize the problems they have."

STILL, environmentalists say West Germany as well has been slow in reacting adequately. Speed on the autobahns is still unlimited, spewing excessive nitrogen oxide from exhausts into the environment. And though the Greens gained seats during January's elections, Mr. Markham fears rising unemployment could diminish concerns over the ecology at a time when such concern should be rising.

Groups like the World Wildlife Fund and Friends of the Earth hope that this "Year of the Environment" will help raise Europe's consciousness over environmental issues, especially because of what Miss Oswald describes as a sense of weariness or indifference to the issue that may be setting in.

"People really are very concerned," she said. "But it's always a problem that they can become easily overburdened with. Acid rain has not changed, but has gotten worse. Unfortunately, some people are fed up with the subject. It's very difficult to repeat this point again and again."

THOMAS NETTER is a journalist based in Geneva.

Political Postcard



"Not weapons in space, but bread for people."

— Johannes Rau, SPD



Photo: John Cope-Van Hasselt



Camera Press

"Greatest foreign minister of all times."

— Hans-Dietrich Genscher, FDP

On Saturday, May 23rd Come to Bad Homburg (Outside Frankfurt), West Germany, for ***THE COUPE GORDON BENNETT**

The vintage car event of the year, organized by the Automobilclub von Deutschland (AvD) and sponsored by the International Herald Tribune as part of its centennial celebrations.

The rally will feature vintage cars from all over Europe and will be held over the same course, through the beautiful Taunus countryside, as the Gordon Bennett Cup race of 1904, when Kaiser Wilhelm II gave the official start before a crowd of one million enthusiastic fans.

It will be a memorable day. So, if you are within striking distance of Frankfurt, be sure to come and bring your family and friends. The official start will be at the Bad Homburg "Kurpark" at 9:00 a.m. and the finish will be in the afternoon between 2 and 5 p.m.

* James Gordon Bennett, Jr., the eccentric millionaire publisher, founded the European edition of his New York Herald Tribune on October 4, 1857. He was a keen enthusiastic sportsman. He introduced polo to the United States; he won the first transatlantic yacht race; he was the founder of automobile racing and of balloon racing. The Gordon Bennett Cup, which he first offered in 1900 to encourage the infant automobile industry, was the direct precursor of today's International Grand Prix races and was the object of enormous popular enthusiasm at the time. The trophy, which was officially known as the "Coupe Internationale Automobile," in line with Bennett's policy of forbidding use of his own name in the pages of the Herald, today stands in the Automobile Club de France in Paris.



Herald Tribune

Where Productivity is first priority.

Baden-Württemberg is associated the world over with productivity and achievements in science, technology, and industry. With pioneers such as Ferdinand Graf von Zeppelin, whose first dirigible, the cigar-shaped LZ-1, proved in 1900 the practicability of rigid airships.

Zeppelin is a typical example of the deep-rooted commitment to inventiveness and productivity that has made Baden-Württemberg one of West Germany's most dynamic and prosperous states.

Productivity is also the cornerstone of our banking philosophy at Landesbank Stuttgart, which ranks among southern Germany's leading banks with assets of some DM 36 billion.

Landesbank Stuttgart is a government-backed bank offering a comprehensive range of commercial and investment services including trade financing, foreign

exchange and security dealing, and underwriting operations. With a full-service branch in London, we have the capabilities and flexibility to meet the financial requirements of a growing international clientele. In Zurich we are represented by our affiliate Bank für Kredit und Außenhandel AG (BKA). For refinancing purposes we are authorized to issue our own bonds.

For a banking partner whose first priority is productivity, please contact Landesbank Stuttgart.

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Business Battles

For Adidas, Puma, the Real Fight Is Abroad

By Vivian Lewis

HERZOGENAURACH — The sports shoe industry in West Germany used to be able to afford a few luxuries. But in the age of America's Reebok they may have to retrench.

Based in this quaint Bavarian village a few miles from Nuremberg are two world-class companies making sports shoes: Adidas and Puma. Both are controlled by rival branches of the same Dassler family from opposite sides of the Auerach River.

The family has kept a global feud going between Horst Dassler (Adidas) and his first cousins Armin and Gerd Dassler (Puma), after it had begun between their fathers, the brothers Adolf (Adi) and Rudolf Dassler, who did not speak to each other from 1948 (when Puma was set up) until they died.

Both companies managed to turn a product most people think should be cheap — sneakers — into a world business with high prices. They did this in spite of the strong mark and high German wages.

Several factors enabled Adidas and Puma to compete successfully all over the globe. Both companies specialized in creating shoes that gave the wearer an edge in practicing a sport, with high-tech innovations, above all in soles, and with an extraordinary proliferation of different shoes for different sports.

It would not do to wear marathon-running

shoes if one was running only 500 meters. Technical advances in weight-reduction and ventilation, cleat-fastening and arch and ankle supports were claimed by both houses.

To give their claims more weight, Adidas and Puma scoured Germany and the world to find stars to wear their products. Given the rivalry between the two clans, the signing up of

Spain's Fernando Romay's size 22 basketball shoes, neither firm manufactures much in Bavaria. Europe accounts for only 20 percent of Puma's production, while Adidas lines are often made in conjunction with the Canadian-owned Bata Company, the world's largest maker of shoes, in developing countries.

Both firms have tried to become sports fashion

Competitor Reebok is growing by leaps in the key U.S. market.

athletes was ruthless and remunerative, as was revealed in Toni Schumacher's recent book in which he told how he lost his job with Cologne's soccer club for wearing the wrong brand of shoes.

Adi Dassler was in the sports-shoe business first, starting in 1920, and created shoes with the famous striped sides starting in 1935, although the Adidas company was only established after the break with Rudolf in 1948.

Both firms manufacture worldwide, with production plants meeting their high quality-control standards in low-wage areas, notably Southeast Asia. Except for special orders like

ion houses by offering coordinated sports clothing and, in the case of Puma, even sports cosmetics.

But Reebok, with headquarters in Canton, Massachusetts, is growing by leaps and bounds in the key U.S. market, centering its thrust on the West Coast where sports shoes are more popular. Reebok's tactic is playing down the high-tech sports angle and focusing on pure fashion. Reebok sales in 1986 topped \$919 million (compared to \$307 million in 1985) and its profits soared from \$39 million to \$132 million. With its recent takeover of Avia, another U.S. sports-shoe house, Reebok has

firmed up its lead by adding enough sales to bring it over \$1 billion, as well as more capacity in selected sports shoes as well.

The Reebok phenomenon has had a ripple effect in Herzogenaurach. Puma, which publicly issued its shares last July, a month later had to announce a major reshuffle in the U.S. market, whereby it bought out its formerly independent distributors. This year, its founding family had to pour in 62 million Deutsche marks (\$34.4 billion) in new capital with a subordinated loan. Even more, it has added an outsider, Vinzenz Grothegar, a former banker, to the managing board and has appointed him head of its new U.S. subsidiary in Framingham, Massachusetts. He is now supervisory board chairman.

The main reason for the move was the drop in Puma's U.S. sales from \$179 million in 1985 to \$160 million in 1986.

A shareholder suit is being brought against the firm and its lead underwriter, Deutsche Bank, for misrepresenting the state of its books at the issue.

Over at Adidas, things are probably not much more successful, but because it is a family concern, events are less public. It has laid off 450 workers in Germany and announced that while production under license had stagnated, its own-plant sales had grown by 6 percent to 3.2 billion DM worldwide. Total sales of its label amounted to 4.1 billion DM, level with 1985. It, too, was hurt in U.S.

sales volume, which fell by 6.9 percent in dollars — and by even more in marks. Adidas, too, absorbed its formerly independent wholesaler.

Mr. Grothegar insists that what went wrong for Puma in the United States will not recur now that the firm no longer has independent wholesalers.

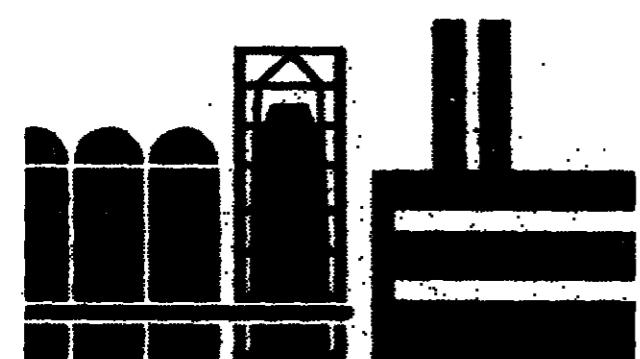
"They misinterpreted the 1986 trend in the shoe industry, as far as style, as far as price segments go," he said. "Our net worth is 180 million DM on a balance sheet of 360 million DM. We could become overcapitalized."



On the Adidas assembly line: Production reaches 280,000 pairs a day.

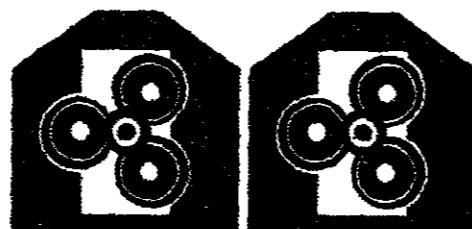
MANNESMANN DEMAG

Machinery, Plant and Systems



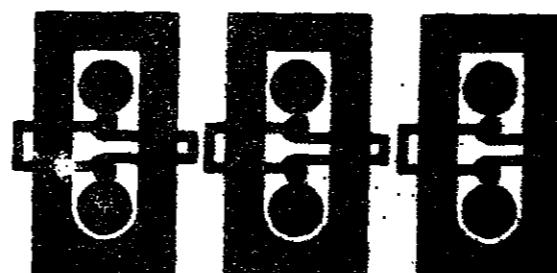
Metallurgical Plant

Integrated plant, blast furnaces, steel mills, continuous casters, electrometallurgical plant.



Pipe Making

Plant and machinery for the production of seamless and welded tubes and pipes. Hydraulic presses.



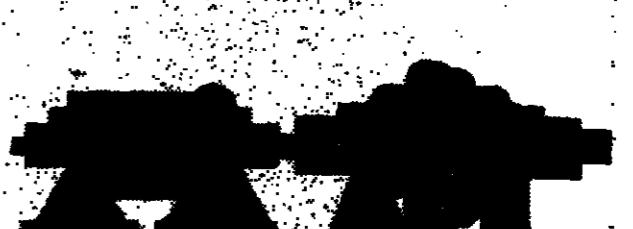
Rolling Mills

Rolling mills for beams, sections and wire rod; strip and sheet mills, strip processing lines.

Mannesmann Demag, your partner with experience in all matters of mechanical engineering and plant construction. With a broad financial base, world-wide sales network and a future-oriented research and development programme for new products.

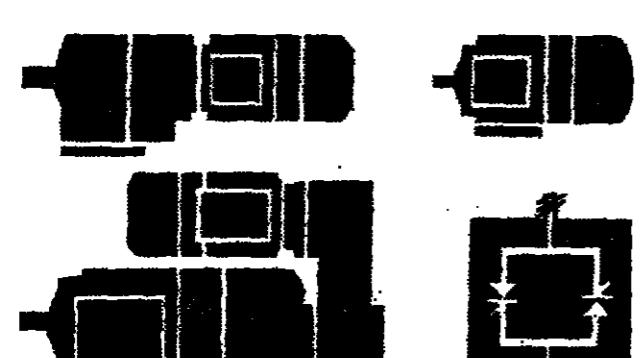


Mannesmann Demag AG
Postfach 10 01 41, D-4100 Duisburg 1
Fed. Rep. of Germany



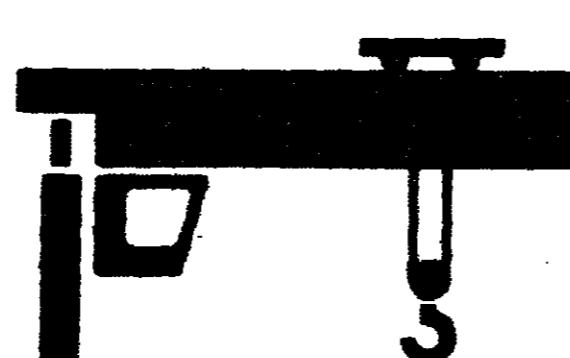
Process Compressors

Centrifugal compressors and positive displacement machines for air and technical gases.



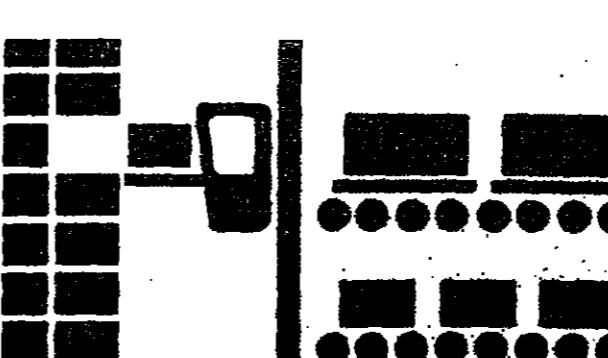
Industrial Drives

Electric drives, control systems.



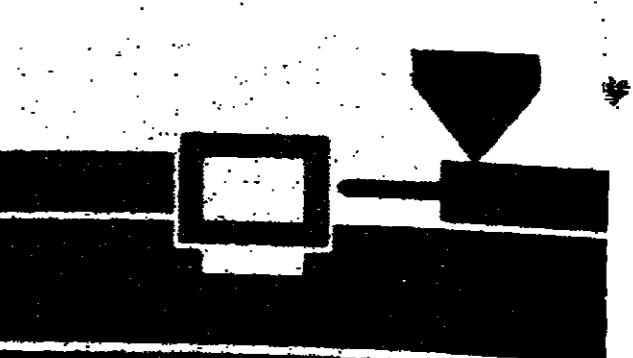
Cranes and Lifting Appliances

Serial lifting equipment, crane components, cranes, electric suspension track systems.



Systems Engineering

Warehouse engineering, warehousing systems, handling and distribution systems, integrated materials handling systems.



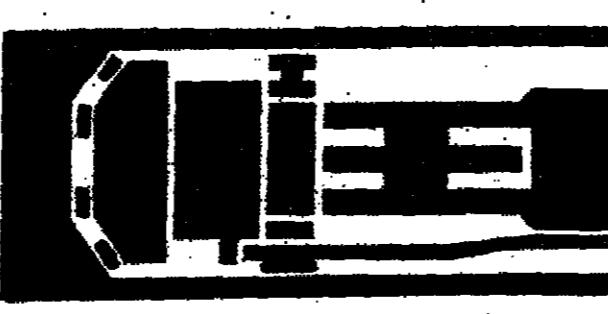
Plastics Machinery

Machinery and complete systems for injection moulding.



Construction Equipment

Hydraulic excavators up to 21 m³ bucket capacity, mobile cranes up to 1,600 t, road finishers up to 12.5 m paving width.



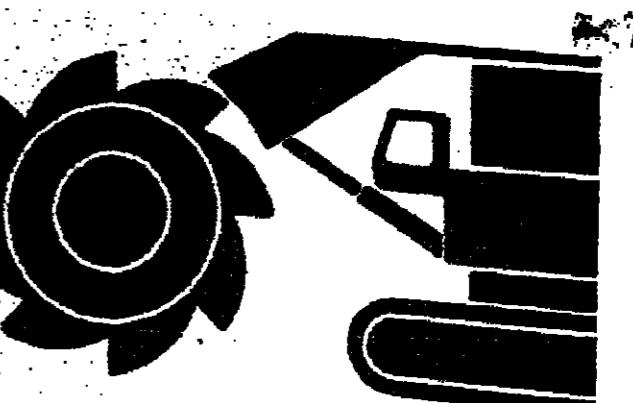
Mining Equipment

Shaft winding equipment, tunnelling machines, shaft drills, raise cutter heads, compressed air motors.



Pneumatic Systems

Compressors, pneumatic tools, equipment and components for the building trade and industry in general.



Bulk Handling

Bucket wheel excavators, reclaimers and belt conveyor systems, container handling systems.

AMEX stocks	P.20
AMEX bond issues	P.20
NYSE stocks	P.4
NYSE bonds	P.17
Canadian stocks	P.22
Currency rates	P.27
Commodities	P.4
Chains	P.18
OTC stock	P.19
Options	P.18
Other markets	P.22

TUESDAY, MARCH 31, 1987

BUSINESS/FINANCE

Dow Average Falls
57.39. Page 6.

INTERNATIONAL STOCK MARKETS

End of the Brussels Boom May Be Near, Analysts Say

By PETER MAASS

International Herald Tribune

BRUSSELS — Nostalgia is a sentiment usually reserved for events in the distant past. But at the Belgian Bourse, a whiff of nostalgia floats in the air as investors brace for a prolonged boom to trail off. The Bourse had a record year in 1986, when the market's current index, which also reflects dividends, jumped to 4,017.57 from 2,844.73.

Average daily transactions amounted to 1.15 billion Belgian francs (currently \$30.6 million), swelled by a wave of foreign and domestic investment. Market capitalization soared to 1.5 trillion francs (about \$40 billion) from 1.1 trillion francs in 1985.

That is a modest total by European standards — the Paris Bourse has capitalization of about \$160 billion — but a new high for the Belgian Bourse. Few investors or analysts disagreed when Banque Bruxelles Lambert SA, one of Belgium's largest commercial banks, said in its annual review of the Bourse that 1986 was a "quasi-ideal" year.

To the surprise of many analysts, the boom continued into 1987. After a slow month in January, things picked up in February and at the beginning of March the market took off again, with the index rising 7.2 percent in two weeks. Average daily transactions have reached about 1.45 billion francs, a Bourse spokesman said.

The rise was attributed to several factors. Foremost was a rush by Belgian taxpayers to beat the deadline of a new savings plan, known as l'épargne pension, that permitted 20,000 francs of stock investments to be deducted from 1986 taxes. Bullish assessments of corporate earnings also came into play.

"Most Belgian companies are reporting higher profits, and that attracts public attention," said Henri Carpenter, spokesman for the Bourse.

MANY financial analysts also point to a drop in Belgian interest rates as another factor fueling the market. "Because the rates went down so much, the investors ran into shares," explained an analyst at Kredietbank, a top Belgian bank.

However, many experts believe the boom will start losing steam soon. After reaching a new high last Wednesday of 4,536.22, the index fell back sharply on Friday to 4,486.1, apparently due to profit taking. On Monday, the market dropped another 70 points, to close at 4,410.64.

Analysts point out that the market traditionally rises at the beginning of the year, when investors take positions in advance of the April earnings reports. "In the second part of the year prices usually go down or stabilize," noted one analyst. This year is not expected to be an exception.

Analysts also doubt whether the prospects are good for similarly high corporate earnings in 1987. "On that point we are a bit cautious," said Xavier Decleve of Générale de Banque. "We think the 1987 earnings will grow less strongly than in 1986." He added, "Economic fundamentals in Belgium are good but not that exciting."

Inflation is low, the franc is strong, exports are healthy, but the government deficit remains high despite a rigorous austerity program adopted by the center-right coalition government of Prime Minister Wilfried Martens. Mr. Martens intends to reduce the deficit to 3 percent of gross national product from 11 percent, but it is far from certain that the target will be reached.

More worrisome for the market is a potential breakup in Mr. Martens' government, whose economic policies have been widely praised by the business community. The four-party coalition almost fell apart last year, prompting a steep drop in the Bourse index when Mr. Martens submitted his resignation, which was later withdrawn.

The linguistic dispute that almost toppled the government

See BRUSSELS, Page 21

Currency Rates

Cross Rates		March 30	
5	E.	D.M.	F.F.
Amsterdam	3,294	11,930.5	30,005
Brussels(a)	3,295	48.22	20.71
Frankfurt	3,295	—	2,009
London (b)	14	—	1,492.5
Milan	3,295	2,948	3,465
New York(c)	0.6223	—	2,009
Paris	4,684	3,229	1,997
Tokyo	145.40	24.03	86.78
Zurich	150.42	24.03	86.78
1 ECU	1,007	0.7735	0.7055
SDR	1,007	0.7735	0.7055

Figures in London and Zurich. Ratios in other European centers. New York rates of 3/44. (a) Commercial banks. (b) Amounts needed to buy one euro. (c) Amounts needed to buy one dollar. (*) Units of 100 (x) Units of 10,000 (x) Units of 100,000 (x) not rounded. (A.U.) not available. (x) To buy one pound: \$1.5187

Other Dollar Values

Currency per U.S. \$	U.S. per	Currency per U.S. \$	U.S. per
Amsterdam	4,445	Fls. sterlin	1,072.00
Austria	1,447	Greek drach.	123.70
Aust. schill	12.25	Hong Kong	7.785
Belp. fls. r.	21.25	Indian rupee	1.2125
Brazil cruze.	16.04	Canadian dollar	1.2125
Denmark kr.	1.771	Portuguese escudo	140.40
Deutsche mark	1.7221	Saudi riyal	3,700
Dollar	0.814	Sterl. s.	1,721.50
Egypt, pound	1.245	Sterl. t.	2,037.50

* Sterling: 1.0896 £/1 \$1Sources: Indofood Bank (Brussels); Bank Commerce Indes (Milan); Banca Nazionale del Portogallo (Porto); Bank of Tokyo (Tokyo); IMF (SDR); BAI (U.S. dollar, riyal, dirham); Geant (Paris). Other data from Reuters and AP.

Interest Rates

Eurocurrency Deposits		March 30	
Dollar	D-Mark	French	Swiss
1 month	8.4%	9.4%	8.4%
6 months	9.4%	10.4%	9.4%
1 year	10.4%	11.4%	10.4%

Sources: Morgan Guaranty (dollar, D-Mark, French); Lazard Frères (Swiss). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).

(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). Rates applicable to interbank deposits of \$1 million minimum (or equivalent).(SDR). 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Swedish Match Will Buy Wilkinson

By Joris Kaza
Special to the Herald Tribune
STOCKHOLM — Swedish Match AB, the world's leading maker of matches, said Monday that it would buy Wilkinson Sword Group Ltd., second-largest in the field, from Allegheny International Inc.

Swedish Match's president, Hans Larsson, said the company would pay \$160 million in cash for British-based Wilkinson Sword.

The official price is \$230 million, but "after settlement of Wilkinson's internal arrangements with Allegheny, the net payment for Swedish Match is around \$160 million," the company said. It did not explain these arrangements.

With a world market share for matches at 7.5 percent, Wilkinson Sword will boost Swedish Match's position on the world market to about 25 percent, Mr. Larsson said.

Swedish Match also makes floor coverings and kitchen furnishings.

Mr. Larsson said the acquisition would raise Swedish Match sales by about 2 billion kronor (\$314.7 million) from the current level of more than 10 billion kronor.

He forecast that Wilkinson would also bring about a net increase in Swedish Match's group profits by next year.

Mannesmann Moves to Control Fichtel & Sachs

DUSSELDORF — Mannesmann AG has reached a series of agreements giving it an indirect majority stake in Fichtel & Sachs AG, a car parts group, Mannesmann said Monday.

The takeover is contingent on approval from the Federal Cartel Office, a Mannesmann spokesman said.

The steel and pipe-making concern is buying 75 percent of the holding company that owns 57.5 percent of Sachs AG, which in turn holds 96.5 percent of Fichtel & Sachs. Mannesmann is also buying a 25.01 percent interest in Fichtel & Sachs from Commerzbank AG and has an option to buy the bank's remaining 10 percent stake, the company said.

In addition, Mannesmann is talking with the state-owned steel group, Salzgitter AG, on buying its 24.98 percent stake in Fichtel & Sachs. That would give Mannesmann more than 75 percent of Fichtel & Sachs.

The parts company has annual sales of 2.2 billion Deutsche marks (\$12.1 billion).

Arbed's Earnings Fell 21% in 1986

LUXEMBOURG — Arbed SA fell 21 percent to 890 million Luxembourg francs (\$23.6 million) from 1985, on an 11 percent drop in revenue to 57.8 billion francs.

The steelsmaker said that its board would decide on April 24 whether to pay a dividend. The company has not paid a dividend since 1984.

Arbed reported that in addition to the general deterioration of the steel market, its competitive position had weakened considerably in the second half of 1986, leading to a 7 percent cut in steel output for the full year to 3.74 million metric tons.

"Starting in 1988, we will get a positive effect on earnings, that is, not after the cost of the acquisition," Mr. Larsson said.

Allegheny International, based in Pittsburgh, announced on March 9 that it was being purchased by an affiliate of First Boston Corp. in a \$500 million leveraged buyout.

Allegheny, a maker of consumer and industrial products that reported a \$166 million loss for the fourth quarter of 1986, said it would now forgo the market for matches.

The acquisition will also establish Swedish Match in Australia, Canada, Ireland and New Zealand as a major manufacturer of matches, the company said.

Mr. Larsson explained that developing countries were the fastest growing market for household matches, with matches used not only for smoking and but also for lighting household fires.

The acquisition will also establish Swedish Match in Australia, Canada, Ireland and New Zealand as a major manufacturer of matches, the company said.

STOCKHOLM — Sweden's Wallenberg group said Monday it had raised its holding in L.M. Ericsson, the telecommunications and data processing group, to 37.5 percent of the voting rights from 26.9 percent.

The move, by the Knut and Alice Wallenberg Foundation, further consolidated control over one of its key firms, analysts said. The foundation now controls 14.1 percent of Ericsson's voting rights with 22.3 percent held by the group's investment companies.

Suit Calls BP Bid for Standard 'Inadequate'

By Lee A. Daniels
New York Times Service

NEW YORK — Is the "intrinsic value" of the Standard Oil Co. "materially in excess" of \$70 a share? That is one of the questions raised in a suit contending that a buyer offered by the British Petroleum Co. is "so grossly inadequate and unfair as to constitute a fraud."

Several oil analysts said BP's offer was a good one and they viewed the suit as a routine effort by some

shareholders to wring a few more dollars out of a bidder.

Thomas S. Tracey, of John S. Herold Inc., an oil appraisal firm, called the offer "a fair one by our appraisal results."

Mr. Tracey has valued Standard at \$45.30 a share. Other analysts put the company's value as high as \$60 a share.

Frederick P. Leuffer Jr., senior oil analyst at Cyrus J. Lawrence Inc., said that the BP offer was well above most of the other offers made for major integrated oil companies during the 1980s.

The shareholders' suit contends that the BP bid was the culmination of a "preconceived plan" set in motion last year during the abrupt dismissal of Standard Oil's chief officers.

Frank P. Kneutel, of Prudential-Bache Securities Inc., said that Standard Oil's stock, which closed at midday on Monday at \$70.50, had risen nearly 60 percent since BP took a more active role. That means, he said, that institutional and individual stockholders were less likely to challenge BP's bid.

BP needs approval from owners of 80 percent of the remaining shares to be able to force all shareholders to accept its terms.

BASF's Profit Drops 13.5%

Reuters

LUDWIGSHAFEN, West Germany — BASF AG, the big chemicals concern, reported Monday that world group pretax profit had fallen 13.5 percent in 1986 to 2.63 billion Deutsche marks (\$1.45 billion).

World group sales dropped to 40.47 billion DM, an 8.8 percent decline from 1985, BASF said.

The company said currency movements, particularly the fall of the dollar, had led to a sharp drop in sales denominated in marks and price declines in raw materials.

The group said it expected business to be satisfactory over the coming months. "At the moment we do not expect any extraordinary influences such as there were last year," it said. Orders in hand and new orders were steady at a high level, BASF said.

We are pleased to announce that our firm has been elected a member of the

London Stock Exchange

and will provide multi-currency clearing and international settlement services

Pershing Keen & Co. Limited

Basildon House, 7-11 Moorgate
London EC2R 6AH
(01) 600 9100

March 31, 1987

This announcement appears as matter of record only.

DAF TRUCKS

12,010 shares representing 14.06% of the outstanding share capital of

Van Doorne's Bedrijfswagenfabriek DAF B.V. (DAF TRUCKS)

previously held by

Navistar International Corporation

under arrangement with

Stichting Administratiekantoor G.D.D.

have been placed with a group of investors in the Netherlands

The undersigned acted as financial advisor to the transaction

AMSTERDAM-ROTTERDAM BANK N.V.

Woolworth Bids £244 Million for Superdrug Stores

Reuters

LONDON — Woolworth Holdings PLC said Monday that it would make a £244 million (\$392 million) bid for Superdrug Stores PLC.

The offer would be made on the basis of 17 new Woolworth ordinary shares for every 20 Superdrug shares outstanding, equivalent to 696 pence for each Superdrug share.

Woolworth said it had received acceptances from the holders of 61 percent of Superdrug shares.

The bid is Woolworth's second attempt in recent months to acquire a retail drugstore chain. Earlier this year, it negotiated a possible bid for Underwoods PLC, but the talks were broken off two weeks ago.

Full acceptance of the offer would involve the issue of about 29.8 million new Woolworth shares, or 14 percent of the enlarged share capital. A cash alternative would offer 646 pence for each Superdrug share.

Japan Railways to Begin Conversion to Private Ownership

Agence France-Presse

TOKYO — Japanese National Railways on Tuesday will begin the complex process of converting the 115-year-old debt-ridden network to private ownership.

Six private regional railways — three on the main island of Honshu and one each on the remaining large islands — will take over the passenger service on their share of the country's 30,000 kilometers (12,500 miles) of track.

The high-speed "bullet train" services will be leased to the private lines by a seventh company.

Freight services, data transfer, telecommunications and technico-

logical research will be handled by independent private companies.

The Japanese National Railways Liquidation Corp. will oversee the transfers and will be responsible for discharging a large part of its debts and selling its capital assets.

The new private enterprises will operate under a new name, the Japan Railways Group, and will be overseen by the government for an undetermined period of time.

The private owners will face a formidable challenge in justifying the government's decision to denationalize the rail network by getting it out of the red. Japan National Railroad's long-term debts stand at

about 37.5 trillion yen (\$250 billion dollars).

That leaves the Japanese taxpayer faced with paying the bill for the remaining 14.7 trillion yen.

Japan National Railway's blue-collar unions, which face the loss of 61,000 jobs under denationalization, blame the government for mismanaging the railroad and sending it deeply into the red.

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ALMOST EVERY 2nd NUMBER IS A WINNER!

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This package consists of four or five different ticket numbers. From now on you can participate with a SUPER-PACKAGE of 2 x 1/4 and 2 x 1/8 or 5 x 1/8 tickets. Multiply

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CURRENCY MARKETS

DOLLAR: Plunges Below 145 Yen to Postwar Low

(Continued from Page 1)

abandon the dollar in favor of other currencies, dealers said.

"It was somewhat irrational," said a dealer for a large West German bank. "To us, the reaction by our 'colleagues' in Tokyo does not seem warranted. But once panic selling gets started in a particular market, it's very difficult to stop."

The Tokyo rally came on comments by Prime Minister Yasuhiro Nakasone that six major industrial nations had agreed at their meeting in Paris in February to hold the dollar above 150 yen. Japan's Finance minister, Kiichi Miyazawa, said all six — Britain, Canada, France, Japan, West Germany and the United States — had aggressively intervened in the market to try to ensure that outcome.

But central bank intervention was ineffective on Monday. The Bank of Japan bought an estimated \$2 billion in a futile effort to slow the dollar's descent, dealers said.

West Germany was also rumored to have intervened when the dollar threatened to drop below 130 DM in Europe. But sources close to the Bundesbank said no such action had occurred.

"The feeling here is that the move in Tokyo was a bit overdone," said Dan Holland, vice president of foreign exchange at Discount Corp. in New York. "We think the dollar is going to stabilize

London Dollar Rates									
<i>Cities</i>									
Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.
Deutsche mark	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065
French franc	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065
Swiss franc	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065
British pound	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065
Canadian dollar	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065
Australian dollar	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065
Yen	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065
Source: Reuters	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065	1.065

and then move higher for a few days."

The dollar has become the U.S. government's primary weapon in its dispute with Japan over trade imbalances. The Reagan administration has been pushing the Japanese government for months to stimulate its domestic economy and to ease access to the Japanese market for U.S. companies.

Japan agreed in Paris to move to reduce those issues.

But statements last week by the U.S. Treasury secretary, James A. Baker III, and other officials showed frustration at the lack of progress. Mr. Baker said no target had been set in Paris for the dollar against other major currencies. That remark sent the dollar tumbling, while the yen soared.

"The dollar was used as a weapon, particularly last Thursday and Friday, when the Fed didn't intervene to support it," Mr. Holland said. "I think the administration wanted to provoke some reaction by Japan's trade officials, and it worked."

BRUSSELS: End of the Boom?

(Continued from first finance page)

remain unresolved, so investors are still a bit jittery. "Political events may exercise a decisive factor" on the market's 1987 performance, noted the review by Banque Bruxelles Lambert.

Furthermore, a five-year tax-shelter plan begun in 1982, known as the *Loi Monory*, expires this year, and many analysts fear that stock investments made under the plan in 1982 may be sold off this year. Such an eventual sell-off would not sink the market, the analysts say, but much of the gains attributed to the *Epargne pension* purchases could be offset.

Overall, the Belgian Bourse has

the reputation of being one of the stodier markets in Europe, if only because it is so narrow. About 5 percent of the listed companies account for 55 percent of the market capital, according to Banque Bruxelles Lambert. Petrofina, the largest company listed on the Bourse, counts on its own for 12 percent of the market capital.

Another calming factor for the Bourse is the fact that transactions of more than 10 million francs can be conducted outside of the market and need not be reported to Bourse authorities. Many analysts believe that at least half of the country's share transactions are conducted outside of the market, to save on brokers' fees and state taxes.

U.S. Home Sales Fell in February

The Associated Press

WASHINGTON — Sales of new homes fell for the second consecutive month in February, declining by 2.7 percent, the government reported Monday.

The Commerce Department said new single-family homes were sold at a seasonally adjusted annual rate of 680,000 units in February after an 8.6 percent decline.

The decline was accompanied by a drop in the median price — the point at which half of the homes cost more and the rest cost less — which fell 3.6 percent to \$96,300.

These shifts have been set off by the rise of the yen. Since September 1985, exporters would have had to increase dollar prices by more than 60 percent to receive the same amount in yen. But Japanese companies have kept prices as low as possible to retain market share, and corporate profits have fallen.

JAPAN: Resentment of U.S.

(Continued from Page 1)

That reaction, dealers said, came Sunday when Tokyo newspapers said that the government planned to buy several U.S. supercomputers. Japanese officials also said last week that a package to raise domestic demand would be ready in early April. The package had been promised at the Paris gathering, but there had been few signs that Mr. Nakasone's government was giving it top priority.

The United States is grappling with a huge trade deficit, which totaled \$169.8 billion in 1986, and the administration's efforts to reduce it have centered on lowering the dollar's value against other currencies. This makes American goods less expensive on the world market, while raising the price of imports to the American buyers.

And Mr. Nakazawa cited an American study that estimated that eliminating all barriers to the Japanese market would increase U.S. exports to Japan by between \$5 billion and \$8 billion — just about one-tenth of the trade imbalance.

In any event, the United States, with its protection of textiles, steel, automobiles, machine tools and agricultural products, is hardly an unblemished free-trader, said Makoto Kuroda, vice president for international affairs in the Ministry of International Trade and Industry.

"Every country has something to protect," Mr. Kuroda said. "And we're ready to take away those 'somethings' if it is reasonable."

He and others say that trends are already taking root will help trim Japan's trade surplus eventually. Foremost among such trends is the rapid appreciation of the yen, which is producing changes in trade figures that most Americans do not notice because the trade figures are reported to them in dollars rather than yen.

Mr. Kuroda noted that the value of last year's exports to the United States, measured in dollars, rose 23.3 percent but, measured in yen, which is produced by inflation, widened 49 percent in February from January, to \$7.38 billion.

In London, the dollar fell to 1.0453 DM, down 2 pence from 1.0425 DM on Friday. The pound rose to \$1.6100 from \$1.6035.

In other European trading, the dollar was fixed at 1.0605 DM in Frankfurt, down from 1.0631 on Friday, and at 6.0140 French francs, down from 6.0640. In Zurich, the dollar closed at 1.5042 Swiss francs, down from 1.5185.

TRADE: For Many in U.S., Japan Presents Textbook Case of Unfair Practices

(Continued from Page 1)

mobile parts, with the 1981 shipments alone to be \$300 million. But since 1980, purchases have totaled only \$200 million, according to Representative Nancy L. Johnson, a Connecticut Republican.

Japan is also viewed as having a policy of using nontariff barriers to discourage supercomputer, semiconductor, telecommunication and other high-technology imports, while giving these industries special credits and tax incentives. Eventually, the products are sent to world markets to challenge U.S. technological leadership.

Meanwhile, the U.S. merchandise trade deficit with Japan grows. Last year, the deficit widened by 20 percent, to \$58 billion, one-third of the overall U.S. trade deficit. This year, despite the 50 percent appreciation of the yen, Sara Johnson, trade analyst for Data Resources Inc., a forecasting service, projects a deficit of "about the same as last year."

This year, many agree, Congress may make Japan a target. The administration acted on semiconductors after both houses unanimously backed a resolution calling on President Ronald Reagan to take punitive measures because of violations of the agreement.

More than half the members of the Senate are co-sponsors of a provision in the Senate Finance Com-

mittee's trade bill accusing Japan of "conducting adversarial trade."

Senator Bob Packwood of Oregon, the ranking Republican on the committee, suggests that the provision directs the Reagan administration to file a comprehensive case against Japan under Article 23 of the GATT, charging that the pattern of Japanese trading practices, in the senator's words, "broadly impairs the benefits to which GATT signatories are entitled."

The GATT article states that, if the actions of any of the 93 signatory nations deny trade advantages to others, the injured parties have the right to compensation.

Administration officials view such action as excessively strong.

But frustration is rising on Capitol Hill and in the administration.

Senator Danforth says: "You negotiate down one barrier, and, as soon as you have gotten that out of the way, you find five more have cropped up to take its place. So you start a whole new proceeding, and

you get rid of that barrier, then you have got five more. And it is just trading water."

The trade battles with Tokyo used to be fought over baseball bats, vitamin E cream, beef, citrus, rice, leather, tobacco and other consumer products excluded by rigid quotas or more ingeniously conceived barriers.

Now the conflicts involve semiconductors, supercomputers and telecommunications. The reason for the deepening resentment in the U.S. government and in business is that these industries, representing the cutting edge of American technology, are directly challenged by their inability to penetrate the Japanese market.

Professor David B. Yoffie of the Harvard Business School said that exclusion from the Japanese market meant that American industries were denied the sales volume that they needed to recover their huge research and development costs.

FLIGHT: Attendants Fear Economics May Resurrect 'Coffee, Tea or Me' Era

(Continued from first finance page)

sociologists have taken a keen interest in the arguments from both sides. They say that, in years to come, trained female employees in service jobs will increasingly dominate the employment landscape.

And, they say, the flight attendants' unions, as strong unions led

brought the average age of attendants down to 32; it was 36 in 1983.

New hires at nearly all of the airlines have come on board under dramatically lower pay schedules.

Typically, entry-level flight attendants are paid \$12,000 a year, and only get raises for five years. After

they did not fire the older flight attendants to make room for the new. The Future Aviation Professionals group says that scheduled airlines last year alone hired 16,000 flight attendants.

Moreover, airline managers note that in most industries new people coming into entry-level jobs are younger than the veterans, and work for less. "The old pro knows what to expect and the rookie has more energy," said Lowell Duncan, an American Airlines spokesman.

"We need both types."

Few airline managers put any stock in the union insistence that inexperienced flight attendants present a safety hazard.

But the unions, insisting on the point, say that most airlines have shunned their efforts to get the U.S. government to test and certify flight attendants. With certification, the unions contend, the airlines could upgrade safety training programs that teach flight attendants how to handle in-flight emergencies such as hijackings, turbulence, decompressions and sudden evasions.

Miriam Rozen is a reporter at Investment Dealers' Digest.

that, they reach the pay ceiling — and, probably, leave.

"It's not like I'd be giving up a whole lot," explained one 28-year-old flight attendant, who says she will quit if her salary remains below \$18,000 for long. "If I were making \$18,000, it might be different."

The unions say this is the kind of reaction that management wants. That is one reason the unions are trying to get rid of the two-tier pay scale that they themselves negotiated in the early 1980s to avoid paying cutbacks for veteran workers.

But most of the airlines note that

they reach the pay ceiling — and, probably, leave.

Right now, the airline unionists are most upset about the inflow of young workers that, they say, has made management believe it can, with impunity, hold salaries low.

Across the industry, the average new flight attendant is 25, female and holds a combination of four years of college or work experience, according to the Future Aviation Professionals of America, a career information agency in Atlanta. At American Airlines, for example, the spate of new hiring has

by women, may be the pioneers of the labor movement of the 1980s.

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Reagan Joins in Spoofs
At Gridiron Club Dinner

After three hours of spoofs about the Iran-contra affair, President Ronald Reagan got his turn at the Gridiron Club's white-tie dinner. "With the Iran thing occupying everyone's attention, I was thinking: Do you remember the flap when I said, 'We begin bombing in five minutes'? Remember when I fell asleep during my audience with the pope? Remember Bitburg? Boy, those were the good old days." The confession took place in the satirical setting of the annual Gridiron dinner Saturday. The president and Nancy Reagan were reportedly good sports about lampoons of the president's memory (or lack thereof), the first lady's backstage power plays, the activities of former White House aides John Poindexter, Oliver North and Donald Regan and Swiss bank accounts. "Nancy and Don at one point tried to patch things up. They met privately over lunch. Just the two of them and their food tasters," the president also quipped.

A vast collection of scores, letters, recordings and memorabilia of Arturo Toscanini, valued at about \$2 million, has been acquired by the New York Public Library. Most of the material in the collection is expected to be made available to researchers within months. Separately, Wanda Toscanini Horowitz, the conductor's daughter, is giving the library 38 letters written to her parents by the composer Giacomo Puccini.

Resolving a six-year-old dispute with the Louvre, the Cleveland Museum of Art announced yesterday that it had agreed to lend a painting by Nicolas Poussin to the Louvre for periodic exhibitions over the next 25 years. The ship, he said, could lose the work boats lashed to the deck and a good bit of other gear, including the helicopter perched high on its landing pad.

Papeete seemed very hot — in the 80s and low 90s. And the tropical sun burned the skins even of the Calypso crew, toughened as they were by exposure to the elements. Some went into town, but there was surprisingly little interest in night life among these men who have been at sea so long.

They were devoted to the ship, to getting it into shape, taking inventory, ordering supplies. The divers checked and stowed their gear. The scientists packed the samples gathered over several months.

On one of the last evenings, the cook prepared a buffet dinner, and it turned into a little party, with Cousteau and Madame playing hosts to the crew. Some of the men wandered out and ate on the afterdeck, watching the sun set over the mountains on the nearby island of Moorea.

Excerpted from a series of three articles.

ART BUCHWALD

The Electronic Ministry

WASHINGTON — "Lord, listen to me. This is the Reverend Shorty Beans, broadcasting on Channel 83, from the 'Electronic Church of the Tender Wallet' in Boosterville, Virginia. This is not a test. I'm up to my cowboy boots in trouble."

"Somebody's trying to take my flock. I suspect it's that garden snake Reverend Jimmy Haggard, the one who takes MasterCard and VISA to treat arthritis sufferers. He wants my ministry so he can cash in on my late-night listeners. God, I need You to come up with a poison pill defense against this diabolically hostile takeover."

"Lord, don't listen to the stories about me committing a sexual transgression with my secretary in the TV control room. This is just the Devil's blackmail put out by Haggard to hurt my Nielsen ratings. You know and I know there is less hanky-panky in the 'Church of the Tender Wallet' than any TV pupil in the land."

"Haggard is putting out the word that I've sinned in church business administration. He can go to hell. Last year we grossed \$100 million, of which You got two. Sales of my wife Barbie's gospel album have soared through the roof. The condos on the Red Sea Golf Course are finished, the Cain and Abel amusement park is SRO, and we're adding another wing to the 'Church of the Tender Wallet' than any TV pupil in the land."

"Haggard can't come close to our numbers. Ask him how many Sea of Galilee hot tubs he sold last month. He almost put his church into bankruptcy."

"Lord, we're willing to make any changes You want to cut expenses."

Dollars to Restore 'Arc'

The Associated Press

PARIS — A multi-million dollar project to restore the Arc de Triomphe, the monument Napoleon put up to glorify his victories, is to be financed partially with American funds, the Culture Ministry announced Monday.

You tell us how many on-camera faith healers to fire and we'll do it. Barbie is starting to save money already. She's dumped the entire symphony orchestra that always accompanies her spiritual version of "If I Were a Rich Man." And we've cut back on the fireworks display we set off every time a pledge of \$5,000 lights up the television board.

"And get this — I decided to take a salary cut. I intend to say today on the air that I will accept no more pay from the 'Church of the Tender Wallet' than Lee La-cocca takes out of Chrysler."

Haggard has no right to bad-mouth me, Lord. He's Satan's hatchet man. If you allow him to take over our TV show the ratings will plummet to zero. He'll drive viewer away from our channel to 'Miami Vice.'

"Lord, I've got a great ploy to stop the takeover. I'm going to announce that, if the listeners don't give me \$8 million to prevent Haggard from grabbing my church, You are going to take me home. It's going to be 'bye-bye' Reverend Shorty because I'm going to that big cathode tube cathedral in the sky."

"If that fails I will go broke. I shall say that if my congregation doesn't raise the money I'm going to do something desperate. I'm going to run for president of the United States."

"I know what You're saying, Lord. Where do I come off running for president? It's very simple. I have all the qualifications any candidate has this year, not to mention my own TV network. I'm going to file my flock a vote for me is a vote for You and — if you don't mind, Lord — I'm going to reveal that I have your endorsement. And if this doesn't do the trick I will bring up my war record."

"You don't have to make any personal appearances for me, Lord. By the same token You don't have to make a big deal of it if You are not going to be there."

"I think I've covered everything. We're only three minutes to air time. What I'm asking from You, Lord, is to help me stop the Devil's takeover of my ministry. If this means a Holy War, thy will be done. Trust me, Lord. I will always keep one eye on You and the other on the bottom line."

With Cousteau
Aboard CalypsoBy Phil McCombs
Washington Post Service

WITH Captain Jacques-Yves Cousteau standing on the bridge and the French tricolor flying above, the Calypso of Toulon, perhaps the world's most famous adventure and exploration ship, eased into Papeete harbor in the heart of French Polynesia at 8:30 A.M. on March 11. Cousteau looked at his watch and declared,

"There's a limit to what the viewer can assimilate," he said. "That's my big problem here — there is so much, it is beginning to be a problem in editing. One has the question of conservation, of the Maori kids. It is all so rich."

Then he went out to the flying bridge to smile and wave at the small group of colorfully dressed men, women and children waiting on the dock to greet him.

The Calypso tied up at the French Navy Yard, where Cousteau, who spent nearly three decades in the navy before retiring in 1957, believes the ship will be safe from the hubbub of downtown Papeete, and where the wooden bottom can be scraped, caulked and repainted.

The four-month voyage off New Zealand will be edited into a two-hour television special as part of Cousteau's "Rediscovery of the World" series.

Calypso, with its crew of divers and underwater cameramen, is Hughes 300-C helicopter nicknamed "Felix" and special deep-diving submarine, and its big yellow shark-cage securely lashed to the foredeck, wound up four months of exploration in New Zealand with a trip through the Kermadec Islands, a string of volcanic outcroppings belonging to New Zealand and lying more than 400 nautical miles northeast of the mainland, before sailing to Tahiti.

In the Kermadec, the final days were filled with turmoil as the divers, photographers and scientists scrambled to cover the new material they found there, and also filled in gaps from previous scenes detailed in lists written by Cousteau in green ink: "multiple dive . . . passing down the electrical cable . . . all dialogue natural . . . the legend of the giant groupers . . . the gaff with the mechanics who ask for a re-

duction in speed . . . the interrogation of returning divers."

Cousteau worked in a low-key, friendly way with his crew, but he was relentless in his effort to have every detail filmed the way he envisioned it.

"There's a limit to what the viewer can assimilate," he said. "That's my big problem here — there is so much, it is beginning to be a problem in editing. One has the question of conservation, of the Maori kids. It is all so rich."

From the sea, Tahiti appears very beautiful — sharp volcanic hills rising green into banks of fluffy clouds, the surf breaking white on the outer reef. But as Calypso made its way across the harbor, a good deal of trash was visible in the water.

Calypso had been chugging along at a steady 11 knots from Raoul Island in the northern port of the Kermadec to Papeete harbor — 1,706 nautical miles.

This was pure voyaging, a throwback to another era — day after day upon the sea. The crew fell into a routine of sleep, watches, work. The meals were a high point of sociability. Men sat in the sun afterward, smoking, drinking coffee from huge mugs and watching the sea go by.

Mornings, Cousteau huddled in his cabin until noon with Richard Murphy, the Cousteau Society's vice president for science and education. They discussed projects and mapped the society's policy and future plans. The list of projects is amazing. A Cousteau Ocean Center is being designed for central Paris, and negotiations for similar centers are under way with several cities in the United States. Cousteau comic books are being published in French, as well as cards of undersea life — much like baseball cards — to which kids can buy a monthly subscription. "We are preparing ecology books for primary schools in the Third World — very simple, illustrated, and on inexpensive paper," Cousteau said. There will be monthly "Vi-deologs" for society members on

the Internet, Cousteau said. They will work only an hour a month because of automation, and then spend the rest of their lives trying to repair the damage done by civilization. In my book, I have a scenario in which, after all the dangers of the bomb and starvation in the Third World have come to pass, finally, by gene manipulation, we achieve the eternal. People don't age. They die only by accident."

"Then what should they do? They re-create evolution from the beginning? They create a super zoo with every possible mutation as part of a favorable environment, and we get back to where we are now! Finally, they communicate with other civilizations that are developing, and they all end up eternal. Then they decide not to fight anymore — no star wars.

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